Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer, management, as well as financial statements. The Company does not intend to make any public offering of securities in the United States.

KAISA GROUP HOLDINGS LTD.

佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

OVERSEAS REGULATORY ANNOUNCEMENT

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

References are made to the announcements of Kaisa Group Holdings Ltd. (the "**Company**") dated 31 August 2021 and 1 September 2021 in relation to the Notes Issue (the "**Announcements**"). Capitalised terms used herein have the same meaning as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering memorandum of the Notes (the "**Offering Memorandum**"), which was published on the website of the SGX-ST.

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

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

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

By Order of the Board
KAISA GROUP HOLDINGS LTD.
Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 17 September 2021

As at the date of this announcement, the executive Directors are Mr. Kwok Ying Shing, Mr. Sun Yuenan, Mr. Mai Fan, Mr. Li Haiming and Mr. Kwok Hiu Kwan; the non-executive Director is Ms. Chen Shaohuan; and the independent non-executive Directors are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Liu Xuesheng.

* *For identification purposes only*

STRICTLY CONFIDENTIAL — DO NOT FORWARD

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

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

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Haitong International Securities Company Limited, UBS AG Hong Kong Branch[(1)], BOCI Asia Limited, China CITIC Bank International Limited, Kingston Securities Limited, Fulbright Securities Limited and Hung Sing Securities Limited (the "Initial Purchasers") that (l) either (i) you and any customers you represent are outside the United States and to the extent you purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") AND (2) that you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission.

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

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA 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"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"), or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Initial Purchasers or any person who controls them or any of their directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or to the Initial Purchasers to subscribe for or purchase any of the securities described therein and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. 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 their affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession such offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver such offering memorandum, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other items of a destructive nature. 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.

(1) UBS AG is incorporated in Switzerland with limited liability.

KAISA GROUP HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)

US$300,000,000 10.5% Senior Notes due 2022

Issue Price: 99.54%

Our US$300,000,000 10.5% Senior Notes due 2022 (the "Notes") will bear interest at the rate of 10.5% per annum and will mature on September 7, 2022. Interest on the Notes will be payable in arrear on March 8, 2022 and September 7, 2022.

The Notes are senior obligations of Kaisa Group Holdings Ltd. (the "Company"), guaranteed by certain of 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." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. The Company and the Subsidiary Guarantor Pledgors (as defined herein) have agreed to pledge the capital stock of the Subsidiary Guarantors held by them to secure the Notes and the Subsidiary Guarantees of such Subsidiary Guarantor Pledgors.

At any time and from time to time prior to September 7, 2022, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 110.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to September 7, 2022, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. See "Description of the Notes — Optional Redemption." Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated Indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the collateral securing the Notes), and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees (as defined herein) and the pledge of any collateral. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral."

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

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

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective Subsidiaries or associated companies (if any).

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes and the Subsidiary Guarantees are being offered and sold outside the United States in compliance with Regulation S under the U.S. Securities Act ("Regulation S").

It is expected that delivery of the Notes will be made on or about September 8, 2021 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Credit Suisse **Guotai Junan International** **HSBC** **Haitong International** **UBS**

Joint Bookrunners and Joint Lead Managers

BOC International **China CITIC Bank International**

Joint Lead Managers

Kingston Securities Limited **Fulbright Securities Limited** **Hung Sing Securities Limited**

The date of this offering memorandum is August 31, 2021

TABLE OF CONTENTS

	Page
SUMMARY	1
THE OFFERING	4
RISK FACTORS	16
USE OF PROCEEDS	59
NOTES BEING ISSUED AS SUSTAINABLE BONDS	60
EXCHANGE RATE INFORMATION	63
CAPITALIZATION AND INDEBTEDNESS	65
SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA	66
RECENT DEVELOPMENTS	69
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	77
INDUSTRY OVERVIEW	99
CORPORATE STRUCTURE	105
BUSINESS	107
REGULATIONS	148
MANAGEMENT	183
SUBSTANTIAL SHAREHOLDERS	191
RELATED PARTY TRANSACTIONS	192
DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS	193
DESCRIPTION OF THE NOTES	217
TAXATION	282
PLAN OF DISTRIBUTION	284
TRANSFER RESTRICTIONS	289
RATINGS	290
LEGAL MATTERS	291
INDEPENDENT AUDITOR	292
GENERAL INFORMATION	293
INDEX TO FINANCIAL STATEMENTS	F-1

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

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

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA 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 EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THIS OFFERING, EACH OF THE INITIAL PURCHASERS (AS DEFINED HEREIN) EXCEPT FOR CHINA CITIC BANK INTERNATIONAL LIMITED, AS STABILIZING MANAGER, OR ANY PERSON ACTING ON ITS BEHALF, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER, AND NOT FOR US OR ON OUR BEHALF.

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

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

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

No representation or warranty, express or implied, is made by Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Haitong International Securities Company Limited, UBS AG Hong Kong Branch, BOCI Asia Limited, China CITIC Bank International Limited, Kingston Securities Limited, Fulbright Securities Limited and Hung Sing Securities Limited (the "Initial Purchasers") or Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying Agent", the "Transfer Agent" and the "Registrar") or any of their respective affiliates, directors or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or any of their respective affiliates, directors or advisors has independently verified any of the information contained in this offering memorandum, they can give no assurance that this information is accurate, truthful or complete, and, to the fullest extent permitted by law, none of them accepts any responsibility for the contents of this offering memorandum or for any other statement, made or purported to be made by the Initial Purchasers in connection with the Company, the Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering memorandum or any such statement. This offering memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar that any recipient of this offering memorandum should purchase the Notes.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or any person affiliated with the Initial Purchasers or the Trustee 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 or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers or the Trustee.

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

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

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

We reserve the right to withdraw the offering of Notes at any time, 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 the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to Kaisa Group Holdings Ltd. itself, or to Kaisa Group Holdings Ltd. and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and 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 their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and property industry statistics.

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

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

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

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

Unless the context otherwise requires, references to "2018", "2019" and "2020" in this offering memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

References to the "2021 CB" are to our 10.5% convertible bonds due 2021, which is no longer outstanding.

References to the "2012 Notes" are to our 12.875% Senior Notes due 2017, which is no longer outstanding.

References to the "2014 Notes" are to our 9.0% Senior Notes due 2019, which is no longer outstanding.

References to the "2020 Notes" are to our 7.25% Senior Notes due 2020, which is no longer outstanding.

References to the "2021 Notes" are to our 7.875% Senior Notes due 2021, which is no longer outstanding.

References to the "2022 Notes" are to our 8.50% Senior Notes due 2022.

References to the "2024 Notes" are to our 9.375% Senior Notes due 2024.

References to the "April 2013 Notes" are to our RMB denominated 6.875% Senior Notes due 2016, which is no longer outstanding.

References to the "April 2022 Notes" are to our 11.25% Senior Notes due 2022.

References to the "Convertible Bonds" are to our U.S. dollar settled 8% convertible due 2015, which is no longer outstanding.

References to the "December 2019 Notes" are to our 12.0% senior notes due 2019, which is no longer outstanding.

References to the "December 2021 Notes" are to our 6.5% Senior Notes due 2021.

References to the "Existing Notes" are to the 2022 Notes, 2024 Notes, the April 2022 Notes, the January 2023 Notes, the July 2023 Notes, the October 2022 Notes, the November 2023 Notes, the January 2025 Notes, the July 2025 Notes, the 2023 Notes, the 2025 Notes, the December 2021 Notes, the November 2025 Notes, the June 2026 Notes and the July 2022 Notes.

References to the "February 2021 Notes" are to our 11.75% Senior Notes due 2021, which is no longer outstanding.

References to the "2023 Notes" are to our 9.75% Senior Notes due 2023.

References to the "2025 Notes" are to our 11.25% Senior Notes due 2025.

References to the "February 18 2021 Notes" are to our 6.75% Senior Notes due 2021, which is no longer outstanding.

References to the "IPO" are to our initial public offering listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange," "Stock Exchange" or "HKSE") in December 2009.

References to the "January 2013 Notes" are to our 10.25% Senior Notes due 2020, which is no longer outstanding.

References to the "January 2023 Notes" are to our 11.5% Senior Notes due 2023.

References to the "January 2025 Notes" are to our 10.5% Senior Notes due 2025.

References to the "July 2023 Notes" are to our 10.875% Senior Notes due 2023.

References to the "July 2025 Notes" are to our 9.95% Senior Notes due 2025.

References to the "June 2021 Notes" are to our 7.875% Senior Notes due June 9, 2021, which is no longer outstanding.

References to the "June 2026 Notes" are to our 11.65% Senior Notes due 2026.

References to the "July 2022 Notes" are to our 8.65% Senior Notes due 2022.

References to the "March 2013 Notes" are to our 8.875% Senior Notes due 2018, which is no longer outstanding.

References to the "Mandatorily Exchangeable Bonds" are to US$259,486,248 Variable Rate Mandatorily Exchangeable Bonds due 2019, which is no longer outstanding.

References to the "November 2023 Notes" are to our 11.95% Senior Notes due 2023.

References to the "November 2025 Notes" are to our 11.7% Senior Notes due 2025.

References to the "October 2022 Notes" are to our 11.95% Senior Notes due 2022.

References to "Original HSBC Facilities" are to the offshore loan facilities between us and The Hong Kong and Shanghai Banking Corporation Limited in an aggregate amount of HK$760 million, which is no longer outstanding.

References to "Original ICBC Facilities" are to the offshore loan facilities between us and Industrial and Commercial Bank of China (Asia) Limited and/or Industrial and Commercial Bank of China, Paris Branch in an aggregate amount of HK$155 million and US$159.5 million, which is no longer outstanding.

References to "Original Offshore Facilities" are to the Original HSBC Facilities and the Original ICBC Facilities.

References to the "September 2020 Securities" are to our senior perpetual capital securities issued in September 2020.

References to the "Series A Notes" are to our US$277,460,905 Series A Variable Rate Senior Notes due December 31, 2019, which is no longer outstanding.

References to the "Series B Notes" are to our US$499,429,957 Series B Variable Rate Senior Notes due June 30, 2020, which is no longer outstanding.

References to the "Series C Notes" are to our US$610,414,552 Series C Variable Rate Senior Notes due December 31, 2020, which is no longer outstanding.

References to the "Series D Notes" are to our US$665,906,865 Series D Variable Rate Senior Notes due June 30, 2021, which is no longer outstanding.

References to the "Series E Notes" are to our US$721,398,993 Series E Variable Rate Senior Notes due December 31, 2021, which is no longer outstanding.

References to the "Series A-E Senior Notes" are to the Series A Notes, Series B Notes, Series C Notes, Series D Notes and Series E Notes.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.10, in our share capital.

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

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

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) or a real property certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to an inspection and acceptance form of construction completion (竣工驗收備案表); and a property ownership certificate refers to a property ownership certificate (房屋所有權證) (or in certain areas of the PRC, a property ownership and land use rights certificate (房地產權證)) or a real property certificate (不動產權證) issued by a local real estate bureau with respect to the ownership rights of the buildings on the relevant land.

Totals presented in this offering memorandum may not total correctly because of rounding of numbers.

FORWARD-LOOKING STATEMENTS

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor is also incorporated or may be incorporated, as the case may be, outside the United States, such as in the Cayman Islands, the British Virgin Islands (the "BVI") and Hong Kong. The Cayman Islands, BVI, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ. All of our assets and all of the assets of the Subsidiary Guarantors are located outside the United States. In addition, all of our directors and officers and the Subsidiary Guarantors' directors and officers are nationals or residents of countries other than the United States (principally of the PRC or Hong Kong), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or such directors and officers or to enforce against us or any of the Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us or any Subsidiary Guarantor in the United States federal courts located in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or any Subsidiary Guarantor 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 BVI legal adviser, Harney Westwood & Riegels LP, that any final and conclusive monetary judgment for a definite sum obtained in the United States courts against us would be treated by the courts of the BVI as a cause of action in itself and could be sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that: (a) the court giving such judgment had jurisdiction in the matter and that we either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process; (b) the judgment given was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations; (c) the judgment was not procured by fraud; (d) recognition or enforcement of the judgment in the BVI would not be contrary to public policy; and (e) the proceedings pursuant to which judgment was obtained were not contrary to the principles of natural justice.

We have been advised by our Cayman Islands legal adviser, Harney Westwood & Riegels, that any final and conclusive monetary judgment for a definite sum obtained in the United States courts against us would be treated by the courts of the Cayman Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that: (a) the court giving such judgment had jurisdiction in the matter and that we either submitted to such jurisdiction or were resident or had a fixed place of business within such jurisdiction and was duly served with process; (b) the judgment given was not in respect of penalties, taxes, fines or other amounts payable to any government entity; (c) the judgment was not procured by fraud; (d) recognition or enforcement of the judgment in the Cayman 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 Sidley Austin, our Hong Kong legal adviser, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time;

(c) is contrary to public policy or natural justice;

(d) is for penal damages; or

(e) is based on foreign penal, revenue or other public law.

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

SUMMARY

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

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 28.8 million sq.m. GFA in 51 cities across five regions. According to China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 24th among Chinese property developers nationwide in terms of attributable contracted sales. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Foshan, Guangzhou, Huizhou, Dongguan, Zhongshan, Zhuhai, Yangjiang and Qingyuan. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including the Yangtze River Delta region, the Western China region, the Central China region and the Pan-Bohai Bay Rim.

As of December 31, 2020, we had a total of 217 property development projects, including completed properties, properties under development and properties for future development, in 51 cities in China. As of December 31, 2020, we had completed properties with a total GFA of approximately 31.7 million sq.m., and had a land bank with an estimated total GFA of approximately 28.8 million sq.m., including completed properties held for sale with a total GFA of approximately 1.8 million sq.m., properties under development with an estimated total GFA of approximately 16.4 million sq.m. and properties for future development with an estimated total GFA of approximately 10.6 million sq.m.

We focus primarily on development of the following:

- Residential properties. Our large-scale residential properties are generally located in suburban areas with access to public transport and other urban facilities in selected cities in China. These properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. The principal target customers for our residential properties are middle to upper-middle income households. We often develop our residential properties in a number of phases. We believe our multi-phased approach has enabled us to manage our capital resources efficiently and has increased our returns through the higher average selling prices which we expect to achieve at subsequent development phases.
- Commercial properties. Our integrated commercial properties are generally located in central business districts in selected cities in China. Our other commercial projects consist of a mixture of office buildings and retail spaces.

Our revenue was RMB38,705.0 million, RMB48,021.7 million and RMB55,770.2 million (US$8,547.2 million) in 2018, 2019 and 2020, respectively.

We have historically contracted out construction works of all our development projects to construction contractors, and intend to continue to outsource substantially all of our construction works. We cooperate with Centaline and World Union to jointly promote our developed properties in different regional markets in China. Going forward, we will continue to improve the management of our sales through our dedicated sales team and intend to continue to engage professional property sales agencies to provide marketing and sales services for our properties in China.

We intend to continue to focus on developing residential and commercial properties in the Pearl River Delta region and further diversify geographically through expansion into other promising markets in China. In addition to our focus on residential and commercial development projects, we also aim to increase our investment properties and consequentially our rental income. We intend to retain certain of our commercial properties for long-term investment purposes. In managing our investment property portfolio, we will take into account the estimated long-term growth potential, overall market conditions and our cash flows and financial conditions.

Our Competitive Strengths

We believe we have the following competitive strengths:

- market leadership in the Pearl River Delta region with a national footprint;
- quality land bank at relatively low cost and supplemented by acquisition by redevelopment;
- responsiveness to market trends and prudent financial management; and
- experienced and long-serving senior management team and continuous recruitment of management talent.

Our Business Strategies

We aim to continue to grow as a leading property developer with a national presence in key economic regions in China. We have developed the following business strategies to pursue our growth objectives:

- continue to enhance profit margin from urban redevelopments in Shenzhen and the rest of the Pearl River Delta region and achieve further geographical diversification in China;
- further enhance asset turnover and cost efficiency through standardized product lines and a scalable business model;
- continue to focus on residential mass market and commercial property development while enhancing property diversification and selectively expanding our land bank and diversify our business; and
- further enhance our brand recognition.

Recent Developments

On January 26, 2021, we issued US$300.0 million in aggregate principal amount of the additional July 2023 Notes. See "Description of Material Indebtedness and Other Obligations."

On February 3, 2021, we issued US$200.0 million in aggregate principal amount of the additional July 2025 Notes. See "Description of Material Indebtedness and Other Obligations."

On February 10, 2021, April 27, 2021, and June 16, 2021, we issued US$100.0 million, US$200.0 million and US$280 million in aggregate principal amount of the additional 2023 Notes. See "Description of Material Indebtedness and Other Obligations."

On March 25, 2021, the Company, as purchaser, Mr. Kwok Ying Shing, as guarantor, and the vendors, entered into the SP agreement, pursuant to which the Company has conditionally agreed to acquire equity interests in target group and sale loans from the vendors at a total consideration of RMB13,000,000,000. Mr. Kwok Ying Shing, being the chairman of the board, an executive Director and substantial shareholder, is the ultimate beneficial owner or de facto controllers of the vendors. The target group is running a real estate project in Chaoyang District, Beijing, the PRC, namely, Yaohui International City Project, which covers a site area of approximately 26,812 sq.m. and a total GFA of approximately 201,601 sq.m. We consider the acquisition represents a promising investment to the Group which may generate sustainable returns for the shareholders and consolidate our market presence in the first-tier cities of the PRC.

On March 26, 2021, the Company proposes to implement the rights issue on the basis of one rights share for every seven existing shares held on the record date at the subscription price of HK$2.95 per rights share. The estimated net proceeds of the rights issues will be approximately HK$2,552 million or HK$2,692 million. The Company currently intends to use the net proceeds from the rights issue to fund a portion of the consideration for the potential acquisition of a real estate project located in Beijing.

On April 20, 2021, we conducted an offer to purchase for cash of our June 2021 Notes and 2021 Notes. After cancellation of the repurchased notes, US$240,806,000 in aggregate principal amount of June 2021 Notes and US$345,850,000 in aggregate principal amount of the 2021 Notes remains outstanding. In June 2021, we fully redeemed the June 2021 Notes.

On April 27, 2021, we conducted an exchange and tender offer to purchase for cash for our outstanding 2024 Notes. On May 11, 2021, we issued US$1,000,022,000 in aggregate principal amount of the November 2025 Notes, which comprised US$500,000,000 of notes in the concurrent new money issuance and US$500,022,000 of notes pursuant to the exchange offer. The 2024 Notes tendered for exchange and purchase pursuant to the exchange and tender offer have been cancelled. After such cancellation, US$2,247,453,000 in aggregate principal amount of the 2024 Notes remains outstanding.

On April 28, 2021, Harbour Luck Investments Limited, an independent third party as the vendor ("Vendor"), Mighty Empire Group Limited, our wholly-owned subsidiary, as the offeror ("Offeror") entered into an agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 324,400,000 shares of Eagle Legend Asia Limited ("Eagle Legend"), representing approximately 30.6% of the entire issued share capital of Eagle Legend for a total cash consideration of HK$145,980,000. Eagle Legend group is principally engaged in trading of construction machinery and spare parts, leasing of construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery and property development. We believe the acquisition will create synergies and chemistries through crossover of products and services being offered by Eagle Legend and us. On April 29, 2021, the acquisition completed and Eagle Legend is held as to approximately 30.6% by the Offeror and has become our subsidiary as a result of the acting in concert undertaking. Kaisa Financial Group Company Limited, on behalf of the Offeror, will make a mandatory unconditional cash offer to acquire all the issued shares of Eagle Legend.

On June 1, 2021, we issued US$300.0 million in aggregate principal amount of the June 2026 Notes. See "Description of Material Indebtedness and Other Obligations."

On June 30, 2021, we fully redeemed the 2021 Notes.

On July 23, 2021, we issued the July 2022 Notes.

See "Recent Developments" section for our unaudited condensed consolidated results for the six months ended June 30, 2021, which are extracted from the announcement of interim results for the year ended June 30, 2021 filed with the Hong Kong Stock Exchange on August 25, 2021.

General Information

We were incorporated in the Cayman Islands on August 2, 2007, as an exempted company with limited liability. Our principal place of business in the PRC is at Room 3306, Kerry Center, Ren Min Nan Road, Luohu, Shenzhen, China. Our place of business in Hong Kong is at 30/F, The Center, 99 Queen's Road, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.kaisagroup.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

Terms used in this summary and not otherwise defined have the meanings given to them in the section entitled "Description of the Notes."

Issuer	Kaisa Group Holdings Ltd.
Notes Offered	US$300,000,000 aggregate principal amount of 10.5% Senior Notes due 2022
Offering Price	99.54% of the principal amount of the Notes
Issue Date of the Notes	September 8, 2021
Maturity Date	September 7, 2022
Interest	The Notes will bear interest from and including September 8, 2021 at the rate of 10.5% per annum, payable in arrear
Interest Payment Dates	March 8, 2022 and September 7, 2022
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described in "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral"; • effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

	After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors as described below under the caption "Security to be Granted," subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "Security to be Granted" and will: • be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and • rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).
Subsidiary Guarantees and JV Subsidiary Guarantees.	Each of the Subsidiary Guarantors and JV Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes provided that any JV Subsidiary Guarantees will be limited to the JV Entitlement Amount. The initial Subsidiary Guarantors will be Chang Ye Investment Company Limited (昌業投資有限公司), Da Hua Investment Company Limited (大華投資有限公司), Dong Chang Investment Company Limited (東昌投資有限公司), Dong Sheng Investment Company Limited (東升投資有限公司), Guang Feng Investment Company Limited (廣豐投資有限公司), Heng Chang Investment Company Limited (恒昌投資有限公司), Jie Feng Investment Company Limited (捷豐投資有限公司), Jin Chang Investment Company Limited (進昌投資有限公司), Rong Hui Investment Company Limited (榮輝投資有限公司), Rui Jing Investment Company Limited (瑞景投資有限公司), Tai He Xiang Investment Company Limited (泰和詳投資有限公司), Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), Tai He Sheng Investment Company Limited (泰和盛投資有限公司), Tai An Da Investment Company Limited (泰安達投資有限公司), Tai Chang Jian Investment Company Limited(泰昌建投資有限公司), Tai Chong Fa Investment Company Limited (泰昌發投資有限公司), Tai Chong Li Investment Company Limited (泰昌利投資有限公司), Bakai Investments Limited (八凱投資有限公司), Yifa Trading Limited (益發貿易有限公司), Advance Guard Investments Limited (先驅投資有限公司), Central Broad Limited (中博有限公司), Guo Cheng Investments Limited (國承投資有限公司), Ri Xiang Investments Limited (日翔投資有限公司), Yin Jia Investments Limited (銀佳投資有限公司), Jet Smart Global Development Limited (捷利環球發展有限公司), Apex Walk Limited (崴行有限公司),

Vast Wave Limited (廣濤有限公司), Fulbright Financial Group (Enterprise) Limited (富昌金融集團(企業)有限公司), Fulbright Financial Group (Development) Limited (富昌金融集團(發展)有限公司), Kaisa Investment Consulting Limited, Goldenform Company Limited, Hong Kong Jililong Industry Co., Limited, Kaisa Holdings Limited, Leisure Land Hotel Management (China) Limited, Regal Silver Manufacturing Limited, Success Take International Limited, Woodland Height Holdings Limited, Yi Qing Investment Company Limited, Yong Rui Xiang Investment Company Limited, Kaisa Investment (China) Limited, Wan Rui Fa Investment Company Limited, Wan Rui Chang Investment Company Limited,Wan Tai Chang Investment Company Limited, Wan Jin Chang Investment Company Limited, Multi-Shiner Limited, Hong Kong Kaisa Industry Co., Limited, Bakai Investments (Hong Kong) Limited, Topway Asia Group Limited, Kaisa Financial Group (China) Company Limited, Hong Kong Kaisa Trading Limited, Hong Kong Wanyuchang Trading Limited, Hong Kong Zhaoruijing Trading Limited, Guo Cheng (Hong Kong) Investment Limited, Ri Xiang (Hong Kong) Investment Limited, Yin Jia (Hong Kong) Investment Limited, Rich Tech Hong Kong Investment Limited, Apex Walk (Hong Kong) Limited, Vast Wave (Hong Kong) Limited and Fulbright Financial Group (Hong Kong) Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") and the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries," and together with the Other Non-Guarantor Subsidiaries, the "Existing Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date. The initial Subsidiary Guarantors do not have significant operations or assets.

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

	Each future Subsidiary of the Company (other than Subsidiaries organized under the laws of the PRC and Exempted Subsidiaries) will provide a guarantee of the Notes as soon as practicable after such Subsidiary becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary so long as such Restricted Subsidiary does not guarantee any other Indebtedness of the Company or any other Restricted Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets. A Subsidiary Guarantee may be released or replaced in certain circumstances. See "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees." In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) do not account for more than 20% of Total Assets.
Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor is: • a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

	• ranks at least *pari passu* with all unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors as described below under the caption "Security to be Granted," subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will be secured by a pledge of the Collateral as described below under the caption "Security to be Granted" and will: • be entitled to a lien on the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens and the Intercreditor Agreement); and • rank effectively senior in right of payment to unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral pledged by such Subsidiary Guarantor Pledgor securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).
Ranking of JV Subsidiary Guarantees	If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor: • will be a general obligation of such JV Subsidiary Guarantor; • will be enforceable only up to the JV Entitlement Amount; • will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • subject to the limitation to the JV Entitlement Amount, 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; • subject to the limitation to the JV Entitlement Amount, will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and

	• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. The JV Subsidiary Guarantees of each JV Subsidiary Guarantor will not be secured.
Security to be Granted	The Company has agreed for the benefit of the holders of the Notes, to pledge, and cause each initial Subsidiary Guarantor Pledgor to pledge, the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") owned by it (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company under the Notes and the Indenture and of each such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time thereafter (unless they cease to be Non-Guarantor Subsidiaries). In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Restricted Subsidiaries as security in favor of the Common Security Trustee for the benefit of the Trustee and the Holders.
Intercreditor Agreement	The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited as Common Security Trustee, and other secured parties thereto, respectively, entered into an amended and restated intercreditor agreement dated July 21, 2016 (as so amended and supplemented from time to time, the "Intercreditor Agreement"), to which the Trustee will accede on the Original Issue Date. The Intercreditor Agreement provides that the security interests in the Collateral with respect to the Notes are shared on a *pari passu* basis among (i) the trustee for the benefit of the holders of each series of Existing Notes, (ii) the Trustee for the benefit of the holders of each series of the Notes and (iii) any other creditors with respect to future Permitted Pari Passu Secured Indebtedness.
Use of Proceeds	The Company intends to use the net proceeds of the offering of the Notes to refinance existing indebtedness and general corporate purposes.

Optional Redemption	At any time prior to September 7, 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 the redemption date. In addition, at any time prior to September 7, 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 110.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date.
Repurchase of Notes Upon a Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase.
Additional Amounts	All payments on the Notes or under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a successor of the Company or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions and as more fully described herein, in the event that any such withholding or deduction is so required, the Company, a successor of the Company or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such Additional Amounts as will result in receipt of such amounts as would have been received by the holder of each Note had no such withholding or deduction been required. See "Description of the Notes — Additional Amounts."
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in 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 of redemption, if the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor would be obligated to pay certain Additional Amounts as a result of certain changes in specified tax laws or other circumstances. See "Description of the Notes — Redemption for Tax Reasons."

Covenants	The Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other Restricted Payments; • guarantee Indebtedness; • enter into certain transactions with affiliates; • create Liens; • enter into Sale and Leaseback Transactions; • sell assets; • enter into agreements that restrict the Company's Restricted Subsidiaries' ability to pay dividends; • issue and sell Capital Stock of Restricted Subsidiaries; • effect a consolidation or merger; and • engage in different business activities. All of these limitations are subject to a number of important qualifications and exceptions. See "Description of the Notes — Certain Covenants."
Transfer Restrictions	The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear or Clearstream.
Book-Entry	The Notes will be issued in book-entry form through the facilities of Euroclear or Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about September 8, 2021, which is expected to be the fifth business day following the date of this offering memorandum. See "Plan of Distribution."
Trustee and Common Security Trustee	Citicorp International Limited
Paying Agent, Transfer Agent and Registrar .	Citibank, N.A., London Branch

Listing and Trading	Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Governing Law	The Notes, the Subsidiary Guarantees and the Indenture will be 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."

Identification Numbers for the Notes . . . . . .

ISIN	Common Code
XS2381572002	238157200

Summary Consolidated Financial and Other Data

The following table presents our summary financial and other data. The summary consolidated statement of profit or loss and other comprehensive income data for 2018, 2019 and 2020 and the summary consolidated statement of financial position data as of December 31, 2018, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our consolidated financial statements as of and for the year ended December 31, 2019 and 2020 as audited by Grant Thornton Hong Kong Limited, Certified Public Accountants, and are included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income and Other Financial Data

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (Unaudited)
Revenue	38,704,967	48,021,685	55,770,181	8,547,154
Cost of sales	(27,576,209)	(34,191,622)	(39,862,713)	(6,109,228)
Gross profit	11,128,758	13,830,063	15,907,468	2,437,926
Other gains and (losses), net	(2,162,967)	(1,494,341)	334,729	51,299
Selling and marketing costs	(1,262,466)	(1,996,166)	(2,017,284)	(309,162)
Administrative expenses	(2,601,078)	(3,350,817)	(3,730,287)	(571,692)
Net fair value gain on investment properties	212,374	178,419	189,433	29,032
Net gain on disposals of subsidiaries	—	245,581	774,075	118,632
Net gain on deemed disposals of subsidiaries	2,912,593	2,460,638	816,560	125,143
Operating profit	8,227,214	9,873,377	12,274,694	1,881,178
Share of results of associates	239,913	92,619	(44,756)	(6,859)
Share of results of joint ventures	(48,726)	(197,697)	37,595	5,762
Fair value (loss)/gains of financial derivatives	—	(82,191)	52,838	8,098
Finance income	402,511	580,269	466,546	71,501
Finance costs	(1,049,027)	(798,774)	(2,284,561)	(350,124)
Finance costs, net	(645,516)	(218,505)	(1,818,015)	(278,623)
Profit before income tax	7,771,885	9,467,603	10,502,356	1,609,556
Income tax expenses	(4,477,629)	(5,303,595)	(5,223,975)	(800,609)
Profit for the year	3,294,256	4,164,008	5,278,381	808,947

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (Unaudited)
Other comprehensive income/(loss), including reclassification adjustments				
Share of other comprehensive income if associates	—	—	21,944	3,363
Exchange differences on translation of foreign operations	6,641	(25,165)	19,073	2,923
Other comprehensive income/(loss) for the year, including reclassification adjustments	6,641	(25,165)	41,017	6,286
Total comprehensive income for the year	3,300,897	4,138,843	5,319,398	815,233
Profit/(loss) for the year attributable to:				
Owners of the Company	2,750,206	4,594,265	5,447,125	834,808
Non-controlling interests	544,050	(430,257)	(168,744)	(25,861)
	3,294,256	4,164,008	5,278,381	808,947
Total comprehensive income/(loss) attributable to:				
Owners of the Company	2,734,394	4,578,816	5,494,815	842,117
Non-controlling interests	566,503	(439,973)	(175,417)	(26,884)
	3,300,897	4,138,843	5,319,398	815,233
Other Financial Data				
EBITDA[(1)]	15,132,337	16,876,565	17,895,850	2,742,659
EBITDA margin[(2)]	39.1%	35.1%	32.1%	32.1%

(1) *EBITDA for any period consists of profit or loss for the period before changes in fair value of investment properties, changes in fair value of financial derivatives, net fair value change on financial assets at fair value through profit or loss ("FVTPL"), waiver of other payables, net gain on repurchase of senior notes, net finance cost (excluding net exchange gains/losses), net exchange gains/losses, impairment loss on intangible assets, impairment loss on interest in an associate, impairment loss on goodwill, loss on derecognition of interest in an associate, provisions for expected credit loss, capitalized interest charged to cost of sales, income tax expense, depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets, amortization of land use rights, share-based payments and write down of completed properties held for sale, provisions for properties under development, write off of intangible assets, gain on disposal of financial assets at FVTPL, loss on disposal of investment properties, loss on disposal of deposits for land acquisitions and (gain)/loss on disposal of property, plant and equipment. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit or loss for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes, in particular, EBITDA as presented herein does not exclude EBITDA of our Unrestricted Subsidiaries or EBITDA of our PRC subsidiaries, which cannot freely distribute dividends. Interest expense excludes amounts capitalized. See the sections entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.*

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

Summary Consolidated Statement of Financial Position Data

	As of December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Assets				
Non-current assets	65,915,004	80,314,972	81,791,864	12,535,152
Current assets	163,113,036	190,587,390	228,106,695	34,958,880
Total assets	229,028,040	270,902,362	309,898,559	47,494,032
Equity and Liabilities				
Non-current liabilities	96,278,821	91,427,400	103,398,130	15,846,457
Current liabilities	96,409,907	123,768,389	127,781,055	19,583,303
Total liabilities	192,688,728	215,195,789	231,179,185	35,429,760
Total equity	36,339,312	55,706,573	78,719,374	12,064,272
Total equity and liabilities	229,028,040	270,902,362	309,898,559	47,494,032

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

Risks Relating to the Business

We are heavily dependent on the performance of the PRC real estate market, particularly in the Pearl River Delta region

Our business and prospects depend on the performance of the real estate market in China and, in particular, in the Pearl River Delta region. Any real estate market downturn in China generally or, in particular, in the Pearl River Delta region and other cities and regions where we operate, could adversely affect our business, results of operations and financial condition. As of December 31, 2020, the total GFA of our land bank was 28.8 million sq.m., 15.9 million sq.m. were located in the Pearl River Delta region, 3.5 million sq.m. were located in the Western China region, 4.5 million sq.m. were located in the Central China region, 2.3 million sq.m. were located in the Yangtze River Delta region, and 2.6 million sq.m. were located in the Pan-Bohai Bay Rim. We also intend to enter into other regions and cities in China. We cannot assure you that the demand for new properties in the Pearl River Delta region and other regions and cities in China where we operate or intend to expand will continue to grow or that prices will not deteriorate. In addition, fluctuations of supply and demand in the real estate market in China are caused by economic, social, political, regulatory and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or an economic downturn in the property sector in the Pearl River Delta region and other cities and regions of China where we operate or intend to expand. Any such over-supply or economic downturn may result in a slow down in property sales or downward pressure on property prices regionally or nationwide. Any adverse development in the real estate market in the Pearl River Delta region or other regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector

Our business is subject to extensive governmental regulation and the macroeconomic control measures implemented by the PRC government from time to time. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. In recent years, the PRC Government has introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio of less than a certain prescribed percentage; and
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums.

In particular, the PRC Government also introduced the following policies, among others, to specifically control the growth of the residential property market:

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a value-added tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- increasing the minimum amount of down payment of the purchase price of the residential property of a family;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- imposing a 20.0% individual income tax on the gain from the sale of second-hand properties; and
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by employees and their family members.

The PRC government has also in recent years announced a series of other measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level. In particular, since the second half of 2016, the local governments in certain cities including without limitation Shenzhen, Guangzhou, Foshan, Dongguan, Huizhou, Zhuhai, Chengdu, Qingdao, Changsha, Wuhan, Changzhou, Shanghai, Suzhou, Hangzhou and Nanjing, where we have property projects, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. From time to time, local governments may adopt more stringent policies to regulate the property market. For instance, in 2017 Shanghai has launched a campaign to clamp down on so-called commercial-title apartments by which the approval of all new commercial-title apartment projects has been suspended, while the construction and sale of commercial and office projects will be strictly regulated. Property developers will be required to rectify any unsanctioned modifications to their original designs before the release of the commercial and office projects. We cannot assure you that our projects in Shanghai will not be affected by such policy. Other political, economic and social factors may also lead to further adjustments and changes of such policies. In August 2018, the Urban Planning, Land & Resources Commission of Shenzhen Municipality issued a circular which required that since July 31, 2018, commercial apartments shall be only for rent and cannot be sold and change of usage is prohibited, subject to limited exceptions. We cannot assure you that the PRC government, local governments or other regulatory bodies will not impose restrictions or adopt additional and more stringent industry policies, regulations and measures in the future, nor can we assure you when or whether the existing policies will be eased or reversed. Moreover, the geographical concentration of our property development projects in Pearl River Delta Region makes us vulnerable to regional policy changes. 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 property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected. For more information on the governmental regulation, policies and measures, see "Regulations."

See "— Risks Relating to the Real Estate Industry in China — The PRC government may adopt further measures to slow down growth in the property sector" for more risks and uncertainties relating to the extensive PRC regulations.

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.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. As a result, sales offices and construction of our development projects were temporarily shut down. Moreover, supply of our raw materials and productivity of our employees were adversely affected. The suspension of construction and sales activities of our projects may in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. For the five months ended May 31, 2020, we recorded a decrease in our total contracted sales and our average selling price decreased significantly, as compared with corresponding period in 2019. Further, our customers may face financial difficulties, which may in turn result in a reduction in demand for our properties. Customers who have previously entered into contracts to purchase properties may also 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. Given the high uncertainties associated with the COVID-19 epidemic at the moment, it is difficult to predict how long these conditions will last and the extent to which we may be affected. 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. The outbreak of COVID-19 epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday. 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. It increased volatility in the PRC and global market and may continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected.

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 not always be able to obtain land reserves at a commercially acceptable cost, or at all, that are suitable for development

We derive our revenue principally from the sale of properties that we have developed. Therefore, we must maintain or increase our land reserves in strategic locations at an appropriate pace in order to ensure sustainable business growth. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control.

The supply of substantially all of the land in China is controlled by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. There have been recent media reports that the PRC government may adopt and promote a more centralized land grant policy for selected regions and cities. On May 21,

2021, the Ministry of Finance (the "MOF"), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the "STA") and the People's Bank of China (the "PBOC") jointly issued a notice under which, the tax administrations, will be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from July 1, 2021 in certain selected provinces and will be carried out nationwide from January 1, 2022. We cannot assure you that such scheme will have no indirect impact on the regional and local government's land grant process, which may in turn adversely affect our operations in the regions affected. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. See "Regulations — Land for Property Development" for information on the regulatory procedures and restrictions relating to land acquisition in PRC.

In addition, we cannot assure you that the parcels of land we have acquired to date will appreciate in value, or that we will continue to be able to acquire land of sufficient size and with an appropriate scope of usage in desirable locations at a commercially acceptable cost, or at all. If we fail to acquire sufficient land reserves in a timely manner and on acceptable terms, or at all, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We may not always be able to obtain land use rights certificates with respect to certain parcels of land in connection with which we have entered into various contractual arrangements

We may not always be able to obtain land use rights certificates with respect to certain parcels of land. We have entered into various land grant contracts with the PRC government. We cannot assure you that the relevant PRC government authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land we may contract to acquire in the future, in a timely manner, or at all. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights. As these contractual arrangements are subject to various government approvals that involve relatively complex procedures, it is not uncommon to take years to complete the acquisition of the underlying land, if at all. If we fail to obtain, or experience material delay in obtaining, the land use rights certificates with respect to any parcels of land we have contracted or may contract to acquire in the future, in a timely manner, or at all, our business, results of operations and financial condition may be materially and adversely affected. Furthermore, as of December 31, 2020, our total contracted commitment for property development expenditures was approximately RMB28,777.9 million (US$4,410.4 million). We cannot assure you that the transactions as contemplated in the relevant agreement can be completed, any refund of our prepayments will be provided in a timely manner or at all. In addition, we have not yet obtained land use rights certificates or property ownership certificates for certain of our properties mainly for water-way transportation business and we also lease certain land and buildings mainly for football training purposes from third parties who have not provided the relevant land use rights or property ownership certificates. There can be no assurance that the use of such properties will not be challenged as a result of the properties' title defects. If we fail to complete the acquisition of the underlying land and obtain land use rights certificates, to obtain refunds or our use of properties are challenged, our financial condition, cash flow and results of operations and business may be materially and adversely affected.

Our acquisition of companies holding land use rights may be unsuccessful and our acquisition agreements may not provide us with sufficient protection against potential liability

We intend to continue to acquire the controlling equity interests in companies holding land use rights as a means of expanding our business and land bank. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land appropriately. As a result, we may be unable to complete such acquisitions at reasonable cost, or at all. In addition, we may have to allocate additional capital and human resources to integrate the acquired business into our operations. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that it will generate the economic benefit that we expected.

We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness

We had net cash outflows from operating activities of RMB2,063.5 million in 2019. We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2018,

2019 and 2020, our total borrowings were RMB108,766.0 million, RMB117,195.6 million and RMB121,471.0 million (US$18,616.2 million), respectively. Our gearing ratio (total borrowings less cash and bank balances, bank deposits and restricted cash divided by total equity) was approximately 236.2%, 144.0% and 94.5%, respectively, as of December 31, 2018, 2019 and 2020. Of our total borrowings as of December 31, 2020, RMB23,069.2 million (US$3,535.5 million) was repayable within 12 months and RMB98,401.7 million (US$15,080.7 million) was repayable in more than one year. Furthermore, our leverage, measured by net debt to adjusted inventory, may remain high.

Our cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness. Furthermore, our high debt leverage could limit our ability to satisfy our obligations under the Existing Notes, the Notes and other debts. We cannot assure you that we will not experience negative operating cash flow in the future, or will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations, obtain additional financing or default on our obligations. Furthermore, the Existing Notes, the Notes and some of our bank loans contain cross default provisions under which default in one of them could trigger a default on other Existing Notes, Notes or bank loans as well. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

In addition to borrowings, we rely on proceeds from the pre-sale of residential properties as a major source of funding for our property development activities. If our pre-sales are limited or reduced for any reason, including policy or regulatory changes, a reduction in demand for or in the prices of our properties, or an increase in the time required to complete sales, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness. For example, during the period from December 2014 to July 2016, Shenzhen Urban Planning and Land and Resources Commission blocked a number of our property projects from processing and filing sale and purchase agreements. See "— Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector." The blockages disrupted our cash flows and resulted in our failure to pay the interests under our various debts at the time. Standard & Poor's Ratings Services and Moody's Investors Service downgraded and subsequently withdrew our credit ratings after our cash flows were disrupted by the blockages. See "— We may not have adequate financing to fund our land acquisitions and property projects" for details. In addition, in connection with the blockages, some of our onshore creditors filed applications with PRC courts for preservation of our assets. We started our Debt Restructuring in light of the liquidity situation caused by the blockages. The Debt Restructuring was effected on July 21, 2016. See "Description of Material Indebtedness and Other Obligations — Debt Restructuring". Although the blockages have been removed and the preservation of our assets in connection with the blockages has been lifted as of the date of this offering memorandum, we cannot assure you that we will not experience similar incidents in the future. In addition, if our onshore creditors choose to enforce share pledges in connection with our onshore borrowings, we may lose control or ownership of our PRC subsidiaries.

We may not have adequate financing to fund our land acquisitions and property projects

Property development is capital intensive. We finance our property projects primarily through a combination of internal funds, construction loans, proceeds from pre-sales, capital markets activities and other methods of financing. As of December 31, 2020, our total borrowings amounted to RMB121,471.0 million (US$18,616.2 million). Our ability to procure adequate and suitable financing for acquisitions of land and/or companies holding land use rights for property developments depends on a number of factors some of which are beyond our control, including general economic conditions, our financial strength and performance, credit availability from financial institutions, cost of borrowing and monetary policies in China.

Various PRC regulations restrict our ability to raise capital through external financing and other methods, including without limitation, the following:

- 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 purchase of land use rights;

- We cannot borrow from a PRC bank for a particular project unless we obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- Property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- restricting the granting or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
- restricting the granting or extension of revolving credit facilities to property developers that have a history of being included in land-related abuses, including misconduct related to changing the use of land, postponing construction or completion of projects or hoarding property.

In November 2009, the PRC government raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting a minimum price for land transfers of at least 70% of the benchmark price for land in the surrounding locality and requiring a bidding deposit of at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract must be entered into within 10 working days of closing and the 50% down payment (taking into account any deposits previously paid) paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the contract date in accordance with provisions of such contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure that property developers are acquiring land with internal funds. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to their leverage ratios such as gearing ratio.

These government actions and policy initiatives limit our ability to use bank loans to finance our acquisitions and property development projects. The PRC government, moreover, could introduce other initiatives which may further limit our access to capital, and consequently limit our ability to obtain bank loans, the net proceeds from this offering or other forms of financing. On June 27, 2018, the National Development and Reform Commission of the PRC (the "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. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《關於對房地產企業發行外債申請備案登記有關要求的通知》) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future. In August 2020, MOHURD and the PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. Such rules are yet to be released in public. Beginning on January 1, 2021, PBOC and the China Banking and Insurance Regulatory Commission ("CBIRC", previously known as the China Banking Regulatory

Commission or CBRC) imposed ceilings on real estate loans and personal housing mortgage loans granted by PRC banking financial institutions (excluding overseas branches). If we fail to secure adequate financing or renew our existing credit facilities prior to their expiration, or if the PRC government adopts further restrictive credit policies in the future, our business, results of operations and financial condition may be materially and adversely affected.

In addition, our ability to obtain adequate financing may be affected by our lack of credit ratings from internationally recognized rating agencies. In January 2015, Standard & Poor's Ratings Services lowered its corporate rating on us to SD from BB- with a negative outlook, and Moody's Investors Service lowered its corporate credit rating on us to Ca from B3 with a negative outlook. In March 2015, Standard & Poor's Ratings Services further downgraded its corporate rating on us to D from SD. In June 2015, Standard & Poor's Ratings Services discontinued its corporate rating on us and Moody's Investors Service withdrew its corporate rating in August 2015. Without credit ratings from internationally recognized rating agencies, we may not be able to obtain adequate financings at commercially acceptable costs, or at all.

Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

In accordance with the provisions of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax ("LAT") (《中華人民共和國土地增值税暫行條例》) and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of such properties. There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties. The STA clarified LAT settlement to some extent in its Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》) effective February 1, 2007. The Notice clarifies that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their jurisdictions. On May 19, 2010, the STA issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (《關於土地增值税清算有關問題的通知》) to clarify and strengthen the settlement of LAT. Furthermore, on May 25, 2010, the STA issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值税徵管工作的通知》), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region.

We have been prepaying LAT in respect of our pre-sale proceeds since a prepayment obligation was imposed in 2004. In addition, we also make provision for the estimated amount of LAT that may be payable in respect of our other sales. We made LAT provisions of RMB2,505.5 million, RMB2,559.9 million and RMB2,222.7 million (US$340.6 million) for the years ended December 31, 2018, 2019 and 2020, respectively. LAT provisions are recorded as a part of "income taxes payable" on our consolidated statement of financial position. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting our Results of Operations — LAT."

The transition from business tax to value-added tax may adversely affect our business, results of operations and financial condition

The PRC Government has been progressively implementing the pilot reform for the transition from business tax to value-added tax in certain regions and industries from 2012. Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業税改徵增值税試點的通知》) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (《營業税改徵增值税試點實施辦法》) issued by the MOF and STA on March 23, 2016. On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective.

Changes in the scope of taxation affect, to a certain extent, our tax burden. We have only recently become subject to the value-added tax regime. We expect the scheme will not materially

affect our net profit or cash flow but may negatively affect our revenue and costs. At the same time, we are required to re-formulate our business and financial management procedures and adjust our accounting and audit treatment as well as tax system in order to comply with such scheme. The scheme also imposes stricter requirements on contractors and suppliers. In addition, the PRC Government may further supplement and amend relevant policies and rules, and different interpretations may be applied in implementing these policies and rules. As a result, uncertainties remain as to the tax treatment of our income and expenses under the new value-added tax regime. As of the date of this offering memorandum, we have been conducting ongoing assessment on the impact on our tax burden and profitability caused by the transition from business tax to value-added tax. We cannot assure you that the transition from business tax to value-added tax will not have an adverse impact on our business, results of operations and financial condition.

We may be adversely affected by fluctuations in the global economy and financial markets

Our business is sensitive to national and local economic conditions in the markets where we operate or may operate in the future, including GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates, and the effects of governmental initiatives to manage economic conditions. Such economic conditions are closely related to global economic conditions and any disadvantageous changes in global economy could adversely affect China's economic conditions and in turn our business.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world could lead to another global economic downturn and financial market crisis. In addition, The United Kingdom (the "UK") ceased to be a member of the European Union (the "EU") on January 31, 2020 ("Brexit"). During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "TCA"). On December 29, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The TCA was subsequently signed on behalf of the EU on December 30, 2020; and the Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. In addition, it is possible that the TCA may not be ratified by the European Parliament prior to the end of the Provisional Period, or at all, which would lead to further uncertainty as to the nature and terms of any subsequent relationships between the EU and the UK, and disruption may arise as a result. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets. The effect of such potential events on the Company or the Notes is impossible to predict; but they could significantly impact volatility, liquidity and/or the market value of securities, including the Notes, and could have a material adverse effect on the Company's ability to make payments on the Notes.

Any global economic slowdown and financial market turmoil may have adversely affect, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. China's economic growth may slow due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government

restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the PRC real estate industry remains uncertain. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown or the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

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

We engage third-party contractors to provide various services, including design, pile setting, foundation digging, construction, equipment installation, interior decoration, electromechanical engineering, pipeline engineering and elevator installation. Our principal independent third-party contractors carry out property construction and subcontract various works to independent third-party subcontractors. We endeavor to employ construction contractors with good reputations, strong track records, and adequate financial resources. We also adopt and follow our own quality control procedures and routinely monitor works performed by third-party contractors. However, we cannot assure you that any third-party contractor will provide services that satisfy our required standard of quality. If the performance of any third-party contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the work and the whole project. In addition, we are expanding our business into other regional markets in China, and there may be a shortage of contractors that meet our quality requirements in such markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of the above factors could have a material and adverse effect on our reputation, business, results of operations and financial condition.

We may not be able to effectively manage our expansion and growth

We have historically focused on developing properties in the Pearl River Delta region. We have expanded into other regions and plan to further explore other promising markets in China. Our expansion is based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will turn out to be accurate. In addition, to succeed with our business expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in our target regional markets within a relatively short period of time. We have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. As we enter into new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences as compared to the cities where we are an established property developer. In addition, when we enter into new geographical areas, we may face intense competition from developers with an established presence and market share in those areas. Therefore, we cannot assure you that we can execute successfully our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Furthermore, our business expansion may place a substantial strain on our managerial and financial resources and any failure in effectively managing our expanded operations may materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to effectively diversify our business

We have been seeking to diversify our business. We currently operate four hotels in Shenzhen, two hotels in Huizhou, one in Zhuhai, one in Liaoyang and one hotel in Suizhong, and intend to

launch a few new hotels under our own brands "Kare (可域酒店)" and "Orientino Hotels (鉑域酒店)" in the near future. We also engage in department store and cultural center operations. In November 2016, we acquired 21.7% equity interest in Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited), a Hong Kong Stock Exchange listed company engaging in supply of dental equipment and consumables, and became its largest shareholder. In 2017, we further increased our equity interest in Kaisa Health Group Holdings Limited to 41.24% through its rights issue. In July 2017, we acquired 17.7% equity interest in Nam Tai Property Inc., company principally engaged in real estate development and management in Shenzhen and listed on the NYSE under the symbol NTP to explore market opportunity in high-tech industry property.

In September 2017, we acquired 21.25% equity interest in Guangdong Mingjia Lianhe Mobile Technology Co. Ltd., a company principally engaged in internet marketing and listed on the Shenzhen Stock Exchange under the stock code 300242) to leverage Mingjia Lianhe's mobile internet marketing as an entrance to facilitate our Group's integration of various resources, and upgrade our existing businesses to give full play to their potential.

In November 2017, we acquired 18.57% of equity interest in Zhenxing Biopharmaceutical & Chemical Co., Ltd., a company principally engaged in production and sales of blood products and listed on the Shenzhen Stock Exchange under the stock code 403. The acquisition will serve us with opportunity for entering the biopharmaceuticals sector.

See "Business — Our Business Strategies." We cannot assure you that we will be able to leverage our past experience in the property development industry in expanding into these industries. We may be exposed to considerable reputational and financial risks if these operations are mismanaged or do not meet the expectations of our customers. If we fail in our efforts to diversify our business, there may have a material adverse effect on our reputation generally, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability

We are required to reassess the fair value of our investment properties as of the end of each reporting date. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be recognised in profit or loss in the period in which they arise. Our investment properties were revalued by an independent property valuer as of December 31, 2018, 2019 and 2020, respectively. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date. We recognize and measure our investment properties on our consolidated statement of financial position at fair value with changes in fair value being recognized in our consolidated profit or loss. For the years ended December 31, 2018, 2019 and 2020, the fair value gains on our investment properties were RMB212.4 million, RMB178.4 million and RMB189.4 million (US$29.0 million), respectively.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability would be materially and adversely affected.

We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments

We generally pre-sell properties before construction is completed. The purchasers of our properties may need mortgage loans to purchase our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. Typically, our guarantee obligations for such customers' mortgage loans are released upon the earlier of (i) the satisfaction of the

mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property and the completion of the registration of the mortgage. It generally takes six months to one year after we deliver possession of the relevant property to the purchaser for our guarantee to be released. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of December 31, 2018, 2019 and 2020, our outstanding financial guarantees for the mortgage loans of our customers amounted to RMB30,587.4 million, RMB32,816.5 million and RMB27,272.6 million (US$4,179.7 million), respectively. If a purchaser defaults under the mortgage loan and the mortgagee bank calls on our relevant guarantee after it deals with the relevant property through a default auction, we are required to repay the outstanding amount owed by the purchaser to the mortgagee bank under the mortgage loan. In 2018, 2019 and 2020, we did not experience any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans. If we are required to honor our guarantees, our results of operations and financial position may be materially and adversely affected.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts, property damage or personal injury relating to the construction and maintenance of our properties. Although we expect our third-party construction companies to maintain appropriate insurance coverage, we cannot assure you that their insurance would cover or be sufficient to satisfy all claims, or that we would not be sued or held liable for damages notwithstanding their insurance coverage. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our business, we may not have sufficient financial resources to cover such losses, damages or liabilities or to satisfy our related obligations. Any payment we make to cover any losses, damages or liabilities may have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to complete our projects according to schedule or on budget

A property development project requires substantial capital expenditures prior to and during the construction period, and it may take over a year before a development generates positive cash flow through pre-sales or sales. The progress of, and costs for, a development project can be adversely affected by many factors, including, without limitation:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if we cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

Our property projects are at risk from earthquakes, floods and other natural disasters in the regions where we operate. Damage to any of our properties or impact on the markets, whether by natural disasters or otherwise, may either delay or preclude our ability to develop and sell our properties or adversely affect our budget for the projects. See "— We may be adversely affected by fluctuations in the global economy and financial markets" and "— The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events." In 2018, 2019 and 2020, we experienced delays in completion or delivery of our certain projects. We may experience additional or significant delays in completion or delivery of our projects in the future and we may be subject to liability for any such delays. Construction delays or failure to complete construction of a project according to its planned specifications, schedule or budget may materially and adversely affect our reputation, business, results of operations and financial condition.

We have in the past had significant lapses in our internal controls. If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, which may adversely affect our business and results of operations

As stated in the Company's announcement on the Hong Kong Stock Exchange ("HKEx") dated July 15, 2016, our former auditor, PricewaterhouseCoopers ("PwC"), who tendered its resignation as the auditor of the Company with effect on June 24, 2016, communicated in February 2015 to our Board of Directors certain issues ("Significant Reporting Matters") identified during the course of its audit of our 2014 consolidated financial statements and recommended our Board of Directors to form an independent investigation on such issues. The Significant Reporting Matters identified by PwC included: (a) identification of certain newly uncovered agreements and the authenticity of the Company's accounting records, (b) identification of unexplained cash payments and receipts, (c) re-purchases, sales, cancellation of sales, and purchases of properties under development, completed properties held for sale in bulk and proposed development project with alleged third parties, (d) disposal of subsidiaries located in Dongguan and Huizhou to alleged third parties, (e) re-designation of advance proceeds received to other payables and (f) the blockage of certain property projects. Further details are set out in the Company's announcement on the HKEx dated July 15, 2016. To address the Significant Reporting Matters, an independent committee was subsequently established by our independent non-executive directors for the purpose of reviewing our financial statements.

FTI Accounting and Advisory Services Ltd ("FTI") was then engaged to conduct a forensic examination of our financial information. In October 2016, FTI issued its findings in a report and the Company disclosed the key findings and the key limitations on the work performed by FTI in its announcement on the HKEx dated December 19, 2016. According to the findings of the FTI's investigation, (1) certain former employees of the Company (the "Former Employees") attempted to obscure the existence of certain borrowing agreements (the "Uncovered Borrowings") through an elaborate scheme which involved (i) the creation of fictitious agreements and documents; (ii) substantial improper and unauthorized payments; (iii) the use of fund remittance agents to disguise the true purpose of the improper and unauthorized payments; (iv) incorrect accounting treatment of the payments and the outstanding liability in the Company's accounting records and (v) collusion between multiple parties, including the Former Employees, suppliers, fund remittance agents and certain other third parties; (2) certain payment transactions, which have been approved by a number of the Former Employees, were found to have no clear business purpose and certain receipt transactions by the Company were either not properly authorized or had no identifiable business purpose, and (3) the Company acquired the equity interests in 19 project companies during the financial year of 2014, while none of these transactions was properly authorized and approved. FTI was unable to find any payments (or other types of consideration) made by the Company for the acquisition of any of these 19 project companies. FTI also identified the creation of certain fictitious agreements, which facilitated the re-designation of certain accounting entries of advance proceeds received to other payables, as opposed to debt. FTI did not identify any evidence of fraud that was involved in the blockage of property projects.

In its report, FTI highlighted that its findings were subject to key limitations, including: (1) PwC refused to meet with FTI to assist with its understanding of the Significant Reporting Matters; (2) a significant number of senior management and employees of the Company whom FTI considered to be integral to obtain a full understanding of the Significant Reporting Matters had resigned since the identification of the Significant Reporting Matters and were not available to assist with the investigation; (3) some of the documents and/or electronic records that FTI

requested were no longer retained, or cannot be located or they may have been inadvertently lost or misplaced; (4) many of the third party entities which were the subject of FTI's enquiries have either been dissolved since the end of 2014, and/or they were offshore entities registered in the British Virgin Islands, whose exact ownership records are not publicly available, and, furthermore, these third parties engaged financial intermediaries or agent to transact with the Company on their behalf which obfuscated FTI's analysis of the transaction chronology and funds flows; (5) the interviewees that FTI interviewed generally had either limited or no knowledge of the relevant transactions or they were reluctant to divulge any information to substantiate their statements owing to confidentiality reasons; and (6) a large number of transactions were not supported by sufficient documentary evidence and transaction descriptions in the Company's general accounting ledgers were incomplete, inaccurate or inadequate. As a result of the limitations on the work performed by FTI, there can be no assurance that FTI's investigations uncovered all of the wrongdoings or irregularities, or that the steps we took to address the Significant Reporting Matters would have addressed other matters that could have been uncovered if such limitations did not exist, all of which could have a material and adverse effect on the Company's business, results of operations and financial condition.

Taking into account the findings of FTI's investigation, we have made prior year adjustments when we prepared our consolidated financial statements for the year ended December 31, 2014, including recording a loss of RMB482,736,000 in the Company's consolidated profit or loss for the year ended December 31, 2014. Grant Thornton Hong Kong Limited, our auditor for the financial year ended December 31, 2014, did not express an opinion on whether the consolidated financial statements for the year ended December 31, 2014 gave a true and fair view of our loss and cash flows for the year ended December 31, 2014. Grant Thornton Hong Kong Limited gave a true and fair view of the state of the affairs of the Company and the Group as at December 31, 2014 with regard to the Company's and the Group's statements of financial position in accordance with HKFRSs.

Subsequent to the FTI's investigation, GT Advisory was engaged by the Company to conduct a review of our internal controls. GT Advisory identified the following major areas of enhancements, including (1) internal audit function not being independent, (2) the whistle-blowing mechanism lacking independence and having inadequate follow-up procedures, (3) inadequate document retention procedures, (4) Company chops being applied to fictitious or unauthorized contracts, (5) certain accounting entries being made in the absence of sufficient and appropriate supporting documents, (6) certain on-line bank payments being made in the absence of sufficient and appropriate supporting documents, (7) inadequate borrowing procedure controls and lack of segregation between financing function and fund transfer function, (8) lack of guidelines governing fund remittance agents, (9) lack of clear guidelines governing transactions with significant monetary amounts or transactions not in the normal course of business, (10) inadequate functions in the office automation system in preventing errors or fraud and (11) decision making power was concentrated in the chairman of the board. We have enhanced our internal control procedures accordingly. See "Business — Internal Control" for details of enhancements we have made to our internal controls. We have also announced in detail the actions taken by us to enhance our internal controls in our announcement on the HKEx dated March 26, 2017.

There is no assurance that securities class actions or other lawsuits in relation to such Significant Reporting Matters or other accounting irregularities could be filed against the Company, its directors or its officers. Any such investigations or lawsuits may adversely affect the Company's business financial condition, results of operations and cash flows or materially harm the Company's business and reputation. Also, although we had implemented various measures to enhance our internal controls, such measures may not fully address these deficiencies in our internal control, and ineffective internal controls would significantly hinder our ability to prevent fraud. We cannot assure you that we will not experience similar incidents in the future, and any similar incidents in the future could result in inaccuracies in our financial statements, which could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our securities, may be materially and adversely affected.

We have faced negative publicity in the past and may face negative publicity in future that could lead to material adverse impacts on our business, reputation and financial conditions.

From time to time, we may face negative publicity relating to our business, financial performance, financial reporting or operations or our directors and officers. For example, certain

of our directors and officers were reported in news articles in the past to have connections with PRC officials, who were investigated and found to have committed misconduct. Even when such publicity is speculative and without merit, we may be required to defend ourselves against such allegations and publicity through public announcements or legal and administrative proceedings as appropriate. However, we cannot assure you that such actions would be effective to protect our reputation, that such proceedings would result in a ruling or decision to our favor, or that the negative publicity effect would be eliminated or reduced upon a positive ruling. Such publicity could also have a range of materially adverse effects on our business and our reputation, including but not limited to our relationship with government regulators, our ability to sell our properties, our ability to raise necessary funding and ultimately our financial performance, as well as more broadly distracting our management from day-to-day operation of our business. Any such effect could adversely affect the market for our securities, including the Notes. Even if negative publicity is without merit, such publicity or resulting effects on our reputation or business could lead one or more investors to file securities class action or other lawsuits against us, or draw regulatory action, which could further harm our reputation and business. We cannot assure you that we will be able to reverse negative publicity or obtain the dismissal of any such legal actions, even if they are without merit. We will also incur costs, and it may take a long period of time, to manage such negative publicity and defend and resolve any such legal actions, and we may incur related indemnity obligations. We may need to pay damages or settle any such legal actions with a substantial amount of cash or other penalty or sanction affecting our business. The foregoing effects and financial costs could have a material adverse impact on our business, our reputation, our results of operation and cash flow.

Our profitability and results of operations are affected by changes in interest rates and fluctuations in foreign exchange rates

We rely on and expect to continue to rely on bank and third-party loans to finance our project developments. Changes in interest rates have affected and will continue to affect our finance costs and, ultimately, our results of operations. As our bank loans are principally denominated in Renminbi, the interest rates on our loans are primarily affected by the benchmark interest rates set by PBOC or the loan prime rate (the "LPR") published by the National Interbank Funding Centre of the PRC, which have fluctuated significantly in recent years. The PBOC benchmark one-year lending rates in the PRC as of December 31, 2018, 2019 and 2020 were 4.35%, 4.35% and 3.85%. Since August 16, 2019, commercial banks shall use the LPR for pricing lending interest rates. Any further increase in such benchmark lending rates or the LPR will increase the interest costs for our property developments.

A substantial portion of the interest expense has been capitalized as properties under development, which will then be recognized in the consolidated profit or loss as cost of sales upon the sale of properties. Capitalized interest represented 13.0%, 14.1% and 13.7% of our cost of sales in 2018, 2019 and 2020, respectively. As a result, such capitalized interest expense may adversely affect our gross profit margin upon the sales of properties in future.

In addition, increases in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties.

A substantial portion of our liabilities, including our outstanding indebtedness and the interest paid thereon is denominated in U.S. dollars, while substantially all our revenues are generated by our PRC operating subsidiaries and are denominated in our functional currency, Renminbi. Because the functional currency of the Company and most of its subsidiaries is the Renminbi, the balance and certain amounts due to third parties denominated in a foreign currency such as U.S. dollars are subject to translation at each reporting date, which could materially affect our business, financial condition and results of operations. The translation of monetary liabilities denominated in foreign currencies (such as the Company's outstanding U.S. dollar indebtedness, including the Notes) are presented in its financial statements, including its profit or loss within net finance costs, such that an increase in the value of the Renminbi against the U.S. dollar would reduce U.S. dollar finance costs, while a decrease in the value of the Renminbi against the U.S. dollar would increase U.S. dollar finance costs. As such, fluctuations in the exchange rate between the Renminbi and U.S. dollars may cause us to incur foreign exchange losses and affect our financial results. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. Since July 2005, the Renminbi has not been pegged to the U.S. dollar. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the People's

Bank of China to the reference Renminbi to U.S. dollar exchange rate. The Renminbi appreciated significantly against the U.S. dollar in 2017, which resulted in the Company experiencing net exchange gains for the year ended December 31, 2017. In 2018, the Renminbi has depreciated significantly against the U.S. dollar. Because of our substantial indebtedness denominated in U.S. dollar, any significant fluctuation in the value of the Renminbi may have a material adverse effect on our business condition and results of operations.

We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after the delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Within eight months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. During the three years ended December 31, 2020, we did not incur any expense as compensation for delays in delivery of individual property ownership certificates. However, we cannot assure you that delays in delivery caused by us of the required property ownership certificates will not occur. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

The PRC government may impose fines on us or take back our land if we fail to develop a property according to the terms of the land grant contract

Under PRC laws and regulations, if we fail to develop a property according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the PRC government may issue a warning, impose a penalty, and/or take back our land. Under current PRC laws and regulations, if we fail to pay any outstanding land grant premium on time, we may be subject to a late payment penalty of 0.1% of the outstanding balance for every day of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20% of the land premium or allocation fees if (i) we do not commence construction for more than one year after the date specified in the relevant land grant contract, or (ii) total constructed GFA is less than one-third of the total proposed GFA for the development or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval. Furthermore, the PRC government has the authority to take back the land without compensation to us, if we do not commence construction for more than two years after the date specified in the land grant contract.

In 2017, we received notices from a local government which imposed penalties on us of a total amount of RMB13.7 million in respect of our two pieces of idle land, and as of the date of this offering memorandum, we have fully paid such penalties. Furthermore, if we fail to complete the construction of our property projects within the time period as stipulated in the land grant contracts, the land authorities may require us to pay liquidated damages or even take back the land without compensation. For example, for three of our projects in Shenzhen, the local land authority has required us to pay the liquidated damages of RMB16 million, RMB1.2 million and RMB2.1 million respectively due to having not completed the construction of the projects within the time period as stipulated in the land grant contracts. We also have not completed development of certain

other projects within the time period stipulated in the relevant land grant contracts, for which we have not yet been required to pay any liquidated damages or imposed on other penalties, but we cannot assure you that the government will not impose any penalty on us in the future. None of our land has been taken back by the government as a result of being idle as of the date of this offering memorandum. Furthermore, we have not commenced development of certain other projects within the time period stipulated in the relevant land grant contracts or required by relevant PRC laws, for which we have not received any idle land notice or been required to pay liquidated damages or other penalties.

We cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or liquidated damages, or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties or liquidated damages, could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred in connection with such land.

We may be required to relocate existing residents and pay demolition and resettlement costs associated with our future property developments and such costs may increase

We may be required to undertake and pay for demolition of existing buildings and resettlement of existing residents with respect to some of our property developments in accordance with the relevant PRC laws and regulations. We have also entered into certain contractual arrangements involving demolition and resettlement works. In particular, we have entered into certain contractual arrangements relating to redevelopment and primary land development with a view to facilitating potential acquisitions of land use rights or enhancing our future expansion into the relevant markets. See the section entitled "Business — Description of our Property Development Projects — Contractual Arrangements." In 2018, 2019 and 2020, our demolition and resettlement costs were approximately RMB1,952.6 million, RMB1,329.9 million and RMB2,277.3 million (US$349.0 million), respectively. The compensation we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or a refusal to relocate may significantly delay the timetable for the affected development. Although we take into consideration the difficulties in resettlement compensation negotiations before we enter into such contractual arrangements, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. Furthermore, resettlement negotiations with villagers, zoning approvals from local governments and other non-commercial factors could result in much longer development cycle which could adversely affect our cash flow. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for such redevelopment projects on terms satisfactory to us or at all. Moreover, we may be involved in disputes with other property developers over the land development rights of the redevelopment projects. As a result, we cannot assure you that we will be able to recoup our upfront investments in such redevelopment projects. An unfavorable final judgment, determination or settlement regarding the land development right or the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and brand image, "Kaisa" ("佳兆業"). Any negative incident or negative publicity concerning us or our property developments could adversely affect our reputation and business. In addition, although we are a well-known brand in the Pearl River Delta Region, we are less well known in other regions in China. Brand value is based largely on subjective consumer perceptions and can be damaged by isolated incidents that reduce consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner.

In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. See the section entitled "Business — Intellectual Property Rights." Our brand could be misappropriated or misused in the future. Any unauthorized use or infringement of our brand name and trademarks may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

Our success depends on the continued services of our senior management team

Our success and growth depend on Mr. Kwok Ying Shing, one of our founders and Chairman and the continued services of our executive Directors and other members of our senior management team. They have extensive experience in the PRC real estate industry, and in-depth knowledge of various aspects of property development, strategic planning and business management. We cannot assure you that Mr. Kwok, any executive director or member of senior management is willing or able to continue in his or her present position or that we will be able to find and hire a suitable replacement, or if he or she is recruited by a competitor or departs to start a competing business. In addition, if we enter into financing agreements in the future which require any of our senior management members to main his/her position as a senior management member, resignation of such senior management member may trigger mandatory prepayment provisions under such financing agreements. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

Property owners may terminate our engagement as the provider of property management services

We provide property management services to the owners of our developed residential and commercial projects through our property management subsidiaries. We believe that property management is an important part of our business strategy and is critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, a majority of property owners of a residential community of certain size have the right to change the property management service provider. We had not experienced any termination of our property management services by the owners of our developed properties in 2018, 2019 and 2020. In 2018, 2019 and 2020, the revenue derived from our property management services was RMB516.2 million, RMB912.3 million and RMB1,349.2 million (US$206.8 million), respectively. If the owners of our developed properties, however, choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation and results of operations may be materially and adversely affected.

We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations, and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, original owners and residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. For example, several of our PRC subsidiaries have been involved in the disputes with their contractors, suppliers or purchasers, with the bank accounts and certain buildings subject to preliminary injunction in aid of later execution and certain PRC subsidiaries have been included in the list of abnormal operations by local regulatory authorities. Additionally, 0.15% of our shares in one of our Shenzhen based investment companies was frozen by local court in connection with the disputes with a third party. The judicial process of releasing the seizure of properties may decrease the time we devote to normal and customary operating functions. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. For instance, we have been imposed penalties by relevant local governmental authorities as we commenced the construction before

obtaining relevant governmental approvals or permits for certain of our property projects and we have also been imposed penalties by relevant local governmental authorities as result of non-compliance with the relevant planning permits or construction permits we have obtained. For example, in April 2019, one of our project companies in Shanghai was imposed a penalty of approximately RMB7 million for not obtaining requisite planning permits before its commencement of project construction, and in June and July 2020, two of our project companies respectively in Shenzhen and Nanjing were imposed penalties of approximately RMB3.4 million and RMB4.8 million along with illegal earnings of approximately RMB9.3 million and RMB67.2 million confiscated by the local governmental authorities as result of not obtaining requisite planning permit as well as non-compliance with the relevant permits which have been obtained for certain property projects. There have also been instances where we did not pay the relevant taxes fully or timely. For example, in 2016, one of our PRC subsidiaries in Guangzhou was required by the local tax authority to pay the overdue stamp duty for an amount of approximately RMB2.4 million along with penalties of approximate RMB2.1 million, and one of our PRC subsidiaries in Qingdao was required to pay the overdue local taxes for an amount of approximately RMB10 million. Additionally, as of May 1, 2017, another PRC subsidiary in Shenzhen failed to pay the overdue tax of approximately RMB131 million accrued. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

In addition, several of our PRC subsidiaries are not fully in compliance with PRC laws and regulations, including those in relation to registered share capital, business licenses, operation permits, tax payment obligation, land use and articles of association of these PRC subsidiaries, and their operations may be adversely affected if they are subject to fines or sanctions imposed by PRC authorities as a result.

We are subject to legal and business risks and our business may be adversely affected if we fail to obtain or maintain the required qualification certificates and other requisite government approvals

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, the PRC property developer must also obtain various licenses, certificates, permits, and approvals from the relevant PRC administrative authorities, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) issued by the Ministry of Construction (now MOHURD), a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to renew the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We conduct our property developments through project companies. These project companies must hold valid qualification certificates to be able to conduct their businesses. Some of our project companies are in the process of obtaining or renewing their qualification certificates. We cannot assure you that our project companies will be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of our project companies does not obtain or renew the necessary qualification certificate in a timely manner, or at all, our prospects, and our business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》), entities engaged in property management had been required to obtain qualification certificates before they commence their business operations. On March 8, 2018, the Measures for the Administration of Qualifications of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Property Management was revised accordingly so that the qualification scheme system in monitoring the property service enterprises has been abolished. Our property management subsidiaries are primarily engaged to manage the residential and commercial properties we developed.

In addition to the above, we cannot assure you that we will not encounter significant problems in satisfying the conditions to, or delays in, the issuance or renewal of other necessary licenses, certificates, permits or approvals. Some of our PRC subsidiaries are in the process of obtaining or renewing the construction enterprise qualification certificates. There may also be delays on the part of the administrative bodies in reviewing and processing our applications and granting licenses, certificates, permits or approvals. If we fail to obtain the necessary governmental licenses, certificates, permits or approvals for any of our major property projects, or a delay occurs in the government's examination and review process, our development schedule and our sales could be substantially delayed, resulting in a material and adverse effect on our business, results of operations and financial condition.

We have in the past experienced restrictions on the processing and filing of sale and purchase agreements relating to our projects, which caused an adverse impact on our cash flows, financial position and operations

During the period from December 2014 to July 2016, Shenzhen Urban Planning and Land and Resources Commission blocked a number of our property projects from processing and filing sale and purchase agreements. As a result of the blockages, we experienced a substantial decline in our cash collection from property sales, causing an adverse impact on our cash flows, financial position and operations. See "— We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness." In particular, the blockages disrupted our cash flows and subsequently resulted in our failure to pay interest under our various debts at the time. In addition, in connection with the blockages, some of our onshore creditors filled applications with PRC courts for preservation of our assets. As a result, we were subject to substantial litigation and arbitration suits filed by onshore creditors. In light of the liquidity situation caused by the blockages, we started our Debt Restructuring, which was effected on July 21, 2016. As of the date of the offering memorandum, none of our projects are subject to asset preservation as a result of the blockages. See "Description of Material Indebtedness and Other Obligations — Debt Restructuring." Although the blockages have been removed as of the date of this offering memorandum, we cannot assure you that we will not experience similar restrictions and blockages in the future, which would have a material and adverse impact on our cash flows, financial position and operations and, in turn, our ability to make payments under the Notes.

We may need to alter our sales model if the cooperation between us and our primary sales partner is discontinued

We have been cooperating with Centaline and World Union for a number of years to promote our properties across different regional markets in China. We generally enter into one-year non-exclusive sales agency agreements with respect to the sales agency services provided by Centaline and World Union on a project-by-project basis. Under these agreements, Centaline and World Union are generally entitled to a sales commission for sales they conclude upon completion of the sales pursuant to the relevant property purchase contracts. Our arrangements with Centaline and World Union have always been and will continue to be dependent upon the demand for the properties we develop in the relevant local markets. If we discontinue or significantly limit our cooperation with Centaline or World Union, terminate our sales agency agreements or decide not to enter into new agreements upon expiration of our existing sales agency agreements, our sales may be interrupted. As a result, our business, financial condition and results of operations may be adversely affected.

Any disputes with joint venture or co-development partners may materially and adversely affect our business

We may carry out our business through joint ventures or in collaboration with third parties which we do not control. Such joint venture arrangements or collaborations involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant project, joint venture or cooperative property development agreements;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant project, joint venture or cooperative property development agreements with us;

- conflicts between the policies or objectives adopted by our partners and those adopted by us; and
- losses of our investments in such joint venture arrangements or collaborations as there is no guarantee that they will materialize into profitable arrangements or projects.

Any of these and other factors may materially and adversely affect our business.

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

As of the date of this offering memorandum, Mr. Kwok Ying Shing, Mr. Kwok Ying Chi, Da Chang Investment Company Limited, Da Feng Investment Company Limited and Da Zheng Investment Company Limited hold in the aggregate 39.13% of our outstanding shares. These shareholders have and will continue to have the ability to exercise influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our creditors', including the holders of the Notes, best interests, including matters relating to our management and policies and the election of our directors and senior management. They will be able to influence our major policy decisions, including our overall strategic and investment decisions, through the election of our directors and, in turn, indirectly affecting the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. For more information, see "Management," "Substantial Shareholders," and "Related Party Transactions."

Risks Relating to the Real Estate Industry in China

The PRC government may adopt further measures to slow down growth in the property sector

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, from 2004 to March 2013, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from MOHURD;
- requiring any first-time home owner to pay the minimum amount of down-payment of 30% of the purchase price of the underlying property;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment of 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate of no less than 110% of the relevant PBOC benchmark one-year bank lending interest rate;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- Raising the benchmark one-year lending rate published by PBOC for the year ended December 31, 2010 to 5.81% and to 6.56% in July 7, 2011;
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit taking financial institutions nine times in 2011 and 2012;
- non-registered residents who own one or more residential properties and fail to provide one-year or longer tax payment certificates or social insurance payment certificates are prohibited from purchasing any residential properties located in the administrative area; and
- strictly enforcing a 20% tax on home sale profits.

Since the second half of 2014, the central and local governments have implemented measures to support the demand of buyers of residential properties and to promote the sustainable development of the real estate market. In September 2014, PBOC and CBRC jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by STA and MOF, effective from March 31, 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference

between the transfer income and the purchase cost. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. In February 2016, STA and MOF jointly issued a circular to further adjust downward the deed tax and business tax payable for real estate transactions. Since the second half of 2016, certain local governments including without limitation Shenzhen, Guangzhou, Foshan, Dongguan, Huizhou, Zhuhai, Chengdu, Qingdao, Changsha, Wuhan, Changzhou, Shanghai, Suzhou, Hangzhou and Nanjing, where we have property projects, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points. Beginning on January 1, 2021, PBOC and CBIRC imposed ceilings on real estate loans and personal housing mortgage loans granted by PRC banking financial institutions (excluding overseas branches).

We cannot assure you that the PRC government will not change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to the section entitled "Regulations." These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects. For example, the PRC government has announced that it may impose a broader real estate tax in the future. We are not sure whether and when such tax will be imposed and neither can we assess the adverse impact of the new tax on our business operations and financial results. Furthermore, the PRC government has imposed and may further impose strict restriction on the sale of the properties, such as limiting the scope of purchasers and limiting the sale price, which have or will have adverse impact on our business. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

The property industry in China is still at a relatively early stage of development, and there is a significant degree of uncertainty in the market as a whole

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

Increasing competition in the PRC, particularly in the Pearl River Delta region, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects, particularly in the Pearl River Delta region. The intensity of the

competition among property developers in the Pearl River Delta region and other parts in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the properties we sell and may adversely affect our business, financial condition and results of operations.

In addition, the property markets in the Pearl River Delta region and elsewhere in the PRC are rapidly changing. Macro-economic measures have recently been adopted by the PRC government in an attempt to slow the rapid growth of the PRC's economy and deter investment in fixed assets, including real estate assets. If we cannot respond to changes in market conditions in the Pearl River Delta region or elsewhere or react to changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We are exposed to contractual, legal and regulatory risks related to pre-sales

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. We face risks relating to the pre-sale of properties. For example, we may find ourselves liable to the purchasers for their losses if we pre-sell units in a property development and fail to complete that development. If we fail to complete a pre-sold property on time, our purchasers may claim compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and claim for compensation. A purchaser may also terminate his or her 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. We cannot assure you that we will not experience delays in the completion and delivery of our projects, nor that the GFA for a delivered unit will not deviate by more than 3% from the GFA set out in the relevant contract in every instance. Any termination of the purchase contract as a result of our late delivery of properties or deviation from the GFA set out in such contract will have a material adverse effect on our business, financial condition and results of operations. Further, the PRC government has imposed strict regulations on the advertising of property pre-sales and some of our project companies have been penalized for violations of such pre-sale regulations.

Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. Various PRC authorities and regulators have publicly called for the discontinuance or abolishment of pre-sales, or to impose tighter regulations on such practice and recently, the Guangdong Real Estate Association issued a notice in September 2018 to solicit provincial developers' views on phasing out the system of pre-sales of properties. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to receive payment on pre-sold properties, or to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and payment of additional land premium

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for the development, and as a consequence, we would not be in a position to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA

requires governmental approval, and the payment of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements. In 2020, we did not have any other cases where our constructed total GFA exceeded the permitted total GFA.

We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA for that development, or that the authorities will not determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, business, results of operations and financial condition.

The terms on which mortgage loans are available, if at all, may affect our sales

Substantially all of the purchasers of our properties rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. In addition, banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points. Furthermore, beginning on January 1, 2021, personal housing mortgage loans granted by PRC banks have been subject to the ceilings imposed by PBOC and CBIRC. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be materially and adversely affected.

In line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until we complete the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

Our results of operations may vary significantly from period to period

Our results of operations may vary significantly due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed, our revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers. According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take six to 18 months after the commencement of the pre-sale. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is

subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors. We will continue to experience significant fluctuations in revenue and profit on an interim basis subsequent to the offering. We therefore believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with recurring revenue.

Potential liability for environmental damages could result in substantial cost increases

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site and the nature and former uses of adjoining properties. Compliance with environmental laws and regulations may result in delays in development, substantial costs and may prohibit or severely restrict project development activity in environmentally sensitive regions or areas. Under PRC laws and regulations, we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction of any project. Although the environmental inspections conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, results of operations or financial condition, there may be potential material environmental liabilities of which we are unaware. After the construction project has been completed, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects. In addition, our operations could result in environmental liabilities or our contractors could violate environmental laws and regulations in their operations that may be attributed to us. For more information, see the section entitled "Business — Environmental and Safety Matters."

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

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), all property development companies in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

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

The PRC government imposes restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. For example, in May 2007, MOFCOM and the State Administration of Foreign Exchange ("SAFE") jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to luxury properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and

- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

From November 2015, the aforesaid record-filing procedures with MOFCOM for foreign-invested real estate enterprises has been cancelled. These restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, prospects, financial condition and results of operations.

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

In May 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》). In April 2013, SAFE issued the Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration (《國家外匯管理局關於發佈《外債登記管理辦法》的通知》) effective from May 13, 2013 which contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007. These regulations effectively prohibit us from injecting funds into our PRC project companies by way of shareholder loans. Without the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes. Furthermore, 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. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《關於對房地產企業發行外債申請備案登記有關要求的通知》) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future. There is no assurance that offshore debts issued by property companies will not be further restricted and the PRC government may impose additional requirements or conditions for offshore debts. If PRC government impose additional requirements which restrict our ability to receive offshore funds, our liquidity and our ability to fund and expand our business could be materially and adversely affected.

Risks Relating to China

PRC economic, political and social conditions, as well as governmental policies, could affect our business and prospects

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content of and control over capital investment;
- control of foreign exchange; and

- allocation of resources.

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

In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. Our business, financial condition and results of operations may be adversely affected by: (i) changes in the PRC political, economic and social conditions; (ii) changes in policies of the PRC government, including changes in policies in relation to our business segments; (iii) changes in laws and regulation or the interpretation of laws and regulations; (iv) measures that may be introduced to control inflation or deflation; (v) changes in the rate or method of taxation; the imposition of additional restrictions on currency conversion and remittances abroad; and (vi) a reduction in tariff protection and other important restrictions.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be overheating, including the real estate industry. These measures have included restricting foreign investment in certain sectors of the real estate industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant

PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market as we have disclosed in the section entitled "Industry Overview — The PRC Real Estate Industry — Measures affecting the PRC property market." In addition, our transfer of funds to our subsidiaries in China is subject to approval by or filing with PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income

In March 2007, the National People's Congress of the PRC and its Standing Committee (the "NPC" or the "National People's Congress") enacted the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "Enterprise Income Tax Law"), which took effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, respectively. The Enterprise Income Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions.

Under the Enterprise Income Tax Laws, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Enterprise Income Tax Laws provide that the "de facto management body" of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. In April 2009, the STA specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies such as ourselves). If a majority of the members of our management team continue to be located in China, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income. If we or any of our non-PRC subsidiaries otherwise become a PRC resident enterprise under the Enterprise Income Tax Laws, our profitability and cash flow would be materially and adversely affected.

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

Under the Enterprise Income Tax Laws, if our Company is deemed a PRC resident enterprise, the interest payable on the Notes will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC "resident enterprise," so we are not sure whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Notes, would be treated as income sourced within China and be subject to PRC tax. If we are required under the Enterprise Income Tax Laws to withhold PRC income tax on our interest payable to our foreign shareholders who are "non-resident enterprises," we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

In October 2005, the SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or Circular No. 75 which became effective on November 1, 2005. The notice requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before establishing or controlling any company outside of China (an "offshore special purpose company") for the purpose of acquiring any assets of or equity interest in a PRC company and raising funds offshore. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular No. 37.

Circular No. 37 and other relevant SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

If the SAFE promulgates clarifications or regulations in the future requiring our beneficial owners who are Hong Kong permanent residents to comply with the registration procedures and update requirements described above and if our beneficial owners are unable or fail to comply with such procedures, our beneficial owners may be subject to fines and legal sanctions and our business operations may also be materially and adversely affected, particularly with respect to the ability of our Chinese subsidiaries to remit foreign currency payments out of China.

Our operations and financial performance could be adversely affected by labor shortages, increase in labor costs, changes to the PRC labor-related laws and regulations or labor disputes

The PRC Labor Contract Law, which became effective on January 1, 2008, imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to effect such changes in the most cost effective or timely manner to our business, hence may adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labor-related regulations after the promulgation of the Labor Contract Law. Among other things, the paid annual leave provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which became effective on July 1, 2011, to clarify the contents of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore,

as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigations. If we are deemed in violation of such labor laws and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our operating subsidiaries or project sites or affecting the operations of our business partners could disrupt our daily operation or our expansion plans, which could have a material adverse effect on our business and results of operations.

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

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum

Facts, forecasts and other statistics in this offering memorandum relating to China, the PRC economy, the PRC real estate industry and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside China. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of our or their respective affiliates or advisors (including legal advisors), or other participants in this offering and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. We have, however, taken reasonable care in the reproduction and/or extraction of the official and other publications for the purpose of disclosure in this offering memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or some other countries. Therefore, it may be difficult for our Notes holders to enforce against us in the PRC any judgments obtained from non-PRC courts.

Risks Relating to the Notes

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

Our Company is a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC

subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors, certain Unrestricted Subsidiaries and certain existing Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors or New Non-Guarantor Restricted Subsidiaries (as defined herein) in the future. 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 JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and Unrestricted Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries and Unrestricted Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2020, our Non-Guarantor Subsidiaries had consolidated indebtedness and other liabilities outstanding owed to third parties in the amount of RMB52,483.5 million (US$8,043.4 million), capital commitments of RMB29,245.6 million (US$4,482.1 million) and financial guarantees of RMB27,272.6 million (US$4,179.7 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total indebtedness, including both current and non-current borrowings, as of December 31, 2018, 2019 and 2020, was RMB108,766.0 million, RMB117,195.6 million and RMB121,471.0 million (US$18,616.2 million), respectively. Our gearing ratio was 236.2%, 144.0% and 94.5% as of December 31, 2018, 2019 and 2020, respectively.

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

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

- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur certain indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in "Description of the Notes"). The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges (each as defined in "Description of the Notes"). Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) includes any net after tax gains arising from our sale of certain investment properties (or the stock of subsidiaries holding such properties) as a result of the difference between the original cost and the cash sale price, and our definition of Consolidated Interest Expense excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated EBITDA could be substantially larger and our Consolidated Interest expense could be smaller when compared to other similarly situated PRC issuers whose covenants do not typically include such net after tax gains in the definition of Consolidated Net Income and would typically include any interest expense accruing on indebtedness of any other person guaranteed by such issuers and their subsidiaries in the definition of Consolidated Interest Expense. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to such other issuers. In addition, we may, pursuant to certain exceptions to the Fixed Charge Coverage Ratio requirement, incur additional indebtedness which could be sizeable. In particular, we may incur indebtedness to finance the acquisition of certain property via acquiring the capital stock of an entity and this entity needs not become a restricted subsidiary, subject to certain conditions. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

On the other hand, our ability to meet the Fixed Charge Coverage Ratio requirement may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See "Description of Material Indebtedness and Other Obligations." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

The Notes may not be a suitable investment for all investors seeking exposure to green assets

Whilst the Company has agreed to certain obligations relating to reporting and use of proceeds as described under this offering memorandum titled " Notes Being Issued As Sustainable Bonds" it will not constitute a covenant or undertaking under the terms of the Notes if the Company were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes, in the manner specified in this offering memorandum. Any failure to use the net proceeds of the issue of the Notes in connection with green projects and/or social projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects and/or social projects. In the event that the Notes are included

in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Company or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Company or the Joint Lead Managers makes any representation as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used to finance and/or refinance Eligible Green Projects and Eligible Social Projects, or (iii) the characteristics of Eligible Green Projects and Eligible Social Projects, including their environmental and sustainability criteria. Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the section headed "Notes Being Issued As Sustainable Bonds" of this offering memorandum and determine for itself the relevance of the information contained in this offering memorandum regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of shareholder 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 shareholder loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on shareholder loans or advances 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 as well as guarantee or security agreements of such subsidiaries. In particular, a substantial number of our PRC subsidiaries holding a significant number of our projects are, directly or indirectly, restricted from paying dividends or making payment on shareholder loans. See "Description of Material Indebtedness and Other Obligations." Furthermore, such restrictions may adversely affect the calculation of our Consolidated Net Income, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

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

Furthermore, although we currently do not have any offshore shareholder loans to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contributions,

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

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

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in July 2007, SAFE issued a circular indicating that it would not process any foreign debt registration or conversion of foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM, and registered with MOFCOM after June 1, 2007. Therefore, the proceeds of the current offering may only be transferred to our PRC subsidiaries as equity investments and not as loans. Equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries had required approvals from or filing with the commerce department of the local government and the local banks, which may take considerable time and result in delays of receiving the contribution. This may in turn adversely affect the financial condition of the PRC subsidiaries. Since January 1, 2020, instead of the aforesaid filing with or approvals from the commerce authorities, the relevant reports to the commerce authorities through the enterprise registration system will be required. We might not be able to obtain necessary approvals or complete requisite reporting procedures for our PRC subsidiaries at all. Furthermore, 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. On July 12, 2019, NDRC published a notice on its website, under which the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year.

The PRC government may introduce new policies that could further restrict our ability to use funds raised outside China. Our borrowings from sources outside of China as a percentage of our total borrowings has been increasing and may continue to increase in the future. Due to restrictions imposed by the PRC laws and regulations, we may not be able to use all or any of the funds that we raise outside of China, including the net proceeds from the current offering, as we contemplated, which may have a material and adverse effect on our business, results of operations, financial condition and prospects.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign

exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 26.9% from July 21, 2005 to December 31, 2013. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in the devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. We may enter into such hedging arrangements permitted under the Indenture, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

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

In light of land prices, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indenture governing the Notes. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in Unrestricted Subsidiaries and minority owned joint ventures in an aggregate amount not to exceed 15% of our total assets without having to satisfy the Fixed Charge Coverage Ratio. See "Description of the Notes."

We may designate members of the "Restructuring Group" as Unrestricted Subsidiaries under the Indenture if and when we decide to proceed with the Restructuring, which members will not be subject to various covenants under the Indenture

Although we do not have any specific plan yet, we may designate members of the Restructuring Group (as defined in "Description of the Notes") as Unrestricted Subsidiaries under the Indenture, if and when we consider appropriate, subject to certain conditions, including, among others, that our Board of Directors has determined in good faith that the designation of

Unrestricted Subsidiaries is necessary to obtain approval from the relevant stock exchange for the Restructuring. Following such designation:

- interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense under the Indenture, other than such interest expenses on Indebtedness that is Guaranteed and paid by us or a Restricted Subsidiary;
- the net income of the Restructuring Group will not be included in the calculation of our Consolidated Net Income and Consolidated EBITDA under the Indenture except to the extent of the cash actually distributed to us or any Restricted Subsidiary as a dividend or other distribution from the Restructuring Group;
- any Investment by us or any Restricted Subsidiary in the Restructuring Group would need to satisfy the "Limitation on Restricted Payments" covenant; and
- future transactions between us or any Restricted Subsidiary on the one hand and any member of the Restructuring Group on the other will need to comply with the requirements in the "Limitation on Transactions with Shareholders and Affiliates" covenant, except for those that (i) are entered into in connection with the Restructuring, or (ii) are entered into in the ordinary course of business, on fair and reasonable terms and are disclosed in the offering documents issued in connection with the Restructuring, or any amendment, modification, extension or replacement thereof, subject to certain conditions.

As a result of any such designation, the value of assets subject to the restrictive covenants under the Indenture may decrease and the market price and trading of the Notes may be materially affected. Accordingly, you are cautioned as to our potential designation of Unrestricted Subsidiaries under the Indenture, notably the members within the Restructuring Group, and our ability to designate further Unrestricted Subsidiaries subject to the conditions set forth in the Indenture.

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

We must offer to purchase or repay the Notes, upon the occurrence of a Change of Control Triggering Event. See the sections entitled "Description of the Notes."

The source of funds for any such purchase or payment would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of a Change of Control Triggering Event to make purchases or payment of the outstanding Notes. Our failure to make the offer to purchase or repay, or to purchase or repay, the outstanding Notes would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase or repay the Notes and repay the debt.

In addition, the definition of a Change of Control Triggering Event for purposes of the indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. Additionally, investors should note that our equity interests have been, and will from time to time be, pledged by our shareholders to secure financing provided by third-party banks to our shareholders. If our shareholders default on such financing, it may result in enforcement of such pledges by such third-party banks, that may result in the occurrence of a Change of Control Triggering Event. The definition of a Change of Control Triggering Event for purposes of the indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase or repay the Notes and the ability of a holder of the Notes to require us to purchase or repay its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such Subsidiary Guarantor, even if brought in the United States, would likely

involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors are incorporated or may be incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes may be 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. 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 may be familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

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

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

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

Our operations are restricted by the terms of the Notes and other obligations 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 governing the Notes and the documents governing our certain other obligations include 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.

The short term nature of the Notes may place increased pressure on our cash flow and funding needs

The Notes have a maturity date of less than one year and will be redeemed on July 22, 2022. Our ability to repay the Notes and to meet our other debt service obligations depends on our future operating and financial performance and ability to generate cash in the short term, which are affected by general economic, financial, competitive and other factors beyond our control. Dedicating a substantial portion of our cash flow to making payments on our debt, including the Notes, within a short period would limit the availability of funds for working capital, business opportunities and other general corporate purposes, increase our vulnerability to adverse general economic or industry conditions, limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, and potentially increase our cost of borrowing. In addition, the availability of external financing with which to repay our debt financing, including the Notes, is subject to numerous factors, including general political, economic and capital market conditions (both internationally and within the PRC), interest rates, credit availability from banks and other major lenders and investor confidence in us and our business, some of which may be outside our control. In addition, the issuance of the Notes has not been registered with the NDRC pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號), the "NDRC Notice") as the NDRC Notice only applies to offshore debt instruments with a tenor of one year or above. However, uncertainties remain regarding its interpretation, implementation and enforcement by the NDRC, and, in particular, there is a risk that the NDRC could in the future amend the rules relating to the NDRC Notice or the interpretation thereof (including with retroactive effect), such that debt instruments similar to the Notes will be subject to the registration and other requirements under the NDRC Notice.

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

The Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST, or that, if listed, a liquid trading market will develop. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

The Notes will not be rated and our corporate ratings maybe lowered or withdrawn in the future

The Notes will not be rated and we have received corporate rating of "B" with a stable outlook by S&P, "B1" with a stable outlook by Moody's and "B" with a stable outlook by Fitch. 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 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 cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency 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 our ratings 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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% or more of the shares of the Company or (y) any affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

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

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

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

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

For so long as the Notes are listed on the SGX-ST, we will be subject to continuing listing obligations in respect of the Notes. 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.

Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC, or that are not permitted by applicable law or regulation to guarantee the Notes (the "Exempted Subsidiaries"), will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain Other Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of these subsidiaries (other than the Exempted Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the sections entitled "Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees" for a list of the existing Non-Guarantor Subsidiaries (other than our PRC subsidiaries).

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. In addition, the Subsidiary Guarantors guarantee our obligations under the Existing Notes (as defined in the "Description of the Notes") and the Exchange Convertible Bonds. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See the section entitled "— 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, if no less than 20% of the Capital Stock of a Subsidiary Guarantor is sold to a third party (whether through sale of existing shares or issuance of new shares), such Subsidiary Guarantor may either substitute its Subsidiary Guarantee for JV Subsidiary Guarantee or release its Subsidiary Guarantee and do not provide any guarantee for the Notes, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than the Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of our total assets.

In addition, in the case of a subsidiary or any entity established after the original issue date of the Notes that is incorporated outside the PRC, a limited-recourse JV Subsidiary Guarantee may be provided following the sale or issuance to a third party of no less than 20% of equity interest in such subsidiary, or purchase from a third party of an equity interest in such entity such that it becomes our subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

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

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

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

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

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

The pledge of certain Collateral may in some circumstances be voidable

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the BVI at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the section entitled "— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" above.

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

The pledge of certain Collateral may be released under certain circumstances

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries (other than the Exempted Subsidiaries) that do not guarantee the Notes do not account for more than 20% of our total assets immediately following such release.

Moreover, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

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

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

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other* pari passu *secured indebtedness

The Collateral consists only of the capital stock of certain of the initial Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject to the terms of the Intercreditor Agreement, as well as in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes will be sufficient to satisfy, or will not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of the Exchange Convertible Bonds and the holders of any outstanding Existing HY Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Notes (as defined herein) or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

The Common Security Trustee is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes and the holders of the Exchange

Convertible Bonds given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Common Security Trustee will adversely affect the Company's entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Common Security Trustee is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders holding 25% of the outstanding amount of a series of Notes and other secured parties under the Intercreditor Agreement may decide whether to take any enforcement action and may thereafter, through their respective trustee or agent, in accordance with the Intercreditor Agreement, instruct the Common Security Trustee to take enforcement action against the Collateral. By virtue of the instructions given to the Common Security Trustee described above, actions may be taken in respect of the Collateral that may be adverse to holders of such series of Notes. In such event, the only remedy available to holders of such series of Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Common Security Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Common Security Trustee may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Common Security Trustee will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes or the Exchange Convertible Bonds, unless such holders or lender have offered to the Common Security Trustee indemnity and/or security satisfactory to the Common Security Trustee against any loss, liability or expense.

USE OF PROCEEDS

We intend to use the net proceeds to refinance existing indebtedness and general corporate purposes.

NOTES BEING ISSUED AS SUSTAINABLE BONDS

PURPOSE

Our Sustainable Finance Framework (the "SFF") has been developed to demonstrate how we will enter into Sustainable Financing Transactions to fund new and existing projects and businesses with environmental and social benefits in alignment with the ICMA Green Bond Principles 2018 ("GBP"), ICMA Social Bond Principles 2020 ("SBP"), ICMA Sustainability Bond Guidelines 2018 ("SBG") and LMA Green Loan Principles 2020 ("GLP"). Sustainable Financing Transactions include the issuance of Green Bonds, Social Bonds as well as Sustainability Bonds.

ASSERTIONS FROM MANAGEMENT

For each Sustainable Financing Transaction issued, we assert that it will adopt: (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds, and (4) reporting, as set out in our Sustainable Finance Framework.

1. Use of Proceeds

The net proceeds of each Sustainable Financing Transaction will be used to fund or refinance, in whole in part, new or existing "Eligible Green Projects" and/or "Eligible Social Projects". "Eligible Green Projects" and "Eligible Social Project" refer to projects that provide clear environmental, social and/or sustainability benefits recognized by the standards mentioned above.

"**Eligible Green Projects**" refers to projects that meet one or more of the following categories of eligibility as recognized in the GBP:

a. Green Buildings: Acquisition, construction or refurbishment of buildings (i) belong to the top 15% of buildings within the region based on absolute emissions performance or primary energy demand, or (ii) certified in accordance with any one of the following selected certification systems:

   - U.S. Leadership in Energy and Environmental Design (LEED): minimum 'Gold'; or
   - Chinese Green Building Evaluation Label: minimum '2-Star'; or
   - Building Research Establishment Environmental Assessment Method (BREEAM): minimum 'Excellent'; or
   - Building Environmental Assessment Method (BEAM Plus): minimum 'Gold'; or
   - Any other appropriate green building label, that is an equivalent standard as the above

b. Energy Efficiency: projects involving at least one of the following features:

   - Refurbishment of buildings that delivers a minimum 30% increase in energy efficiency or grade improvement(s) according to local certifications
   - R&D expenditure for energy efficiency design and technologies for buildings and construction

c. Pollution Prevention and Control: projects involving at least one of the following features:

   - Installation of recycling facilities in buildings
   - Installation of equipment to reduce environmental pollution (e.g. during construction and/or buildings operation

d. Sustainable Water and Wastewater Management: projects which install rainwater collection systems, water conservation systems, water recycling and treatment systems

e. Climate Change Adaptation: projects which develop "sponge cities" that aim to reduce flood risk and replenish groundwater

f. Renewable Energy: project which install renewable energy systems and associated infrastructure

g. Clean Transportation: projects related to the installation of electric vehicle charging stations and construction of dedicated parking spaces for electric vehicles

"**Eligible Social Projects**" refers to projects that meet one or more of the following categories of eligibility as recognized in the SBP:

a. Affordable Housing: projects involving at least one of the following features:

   - Financing construction and refurbishment/maintenance of Low Cost Housing
   - Target population for this category includes individuals or families that meet local government criteria for the rental or purchase of Low Cost Housing, which typically includes an assessment of income levels and difficulties in obtaining housing

b. Affordable Basic Infrastructure and Essential Services: projects involving at least one of the following features:

   - Financing construction and refurbishment/maintenance of basic and essential infrastructure in Urban Renewal Target Areas, such as public schools, public hospitals, public transportation (including provision of connectivity to public transportation), public sports facilities, public parks/green spaces
   - Target population for this category includes individuals and families that live in Urban Renewal Target Areas and do not have access to quality basic infrastructure and essential services

2. Project Evaluation and Selection

Eligible Projects will be selected by the Sustainable Finance Working Group formed by representatives from the Property Management, Sustainability, Treasury, Investor Relations and Legal Departments in accordance to the criteria defined in the Sustainability Finance Framework. Selected Eligible Projects will be reviewed on an annual basis.

3. Management of Proceeds

We will track the net proceeds using an internal register to keep track of the use of proceeds for each Sustainable Financing Transaction and will record the following information:

a. Type of funding transaction, including details such as issuance date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon and ISIN number.

b. Allocation of use of proceeds, including amount of proceeds allocated to each Eligible Project and the balance of unallocated proceeds.

Pending allocation to Eligible Projects, the net proceeds from each Sustainable Finance Transaction will be deposited in the General Funding Account.

4. Reporting

We will provide information on the allocation of the net proceeds from outstanding Sustainable Financing Transactions on our website and/or our annual report, ESG or sustainability report. Such information will be provided on an annual basis until all the net proceeds have been fully allocated.

a. Allocation Reporting: We will provide below information for the net proceeds of Sustainable Financing Transactions during the period:

   - Details of each Sustainable Financing Transaction that is outstanding
   - Aggregate amount of proceeds from each Sustainable Financing Transaction that has been allocated to Eligible Projects
   - Balance of unallocated proceeds from each Sustainable Financing Transaction
   - A list of Eligible Projects to which proceeds from each Sustainable Financing Transaction have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as building certifications and energy performance data

b. Impact Reporting: Where possible, we will report on the environmental and social impacts resulting from Eligible Projects. Subject to the nature of Eligible Projects and availability of information, we aim to include, but not limited to, the following impact indicators:

- Green Buildings: Level of certification; Annual GHG emissions reduced/avoided (t CO_2 eq p.a.); Annual energy savings (MWh p.a.); Annual reduction in water consumption (in m^3)
- Energy Efficiency: Annual energy savings in MWh/GWh; Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent
- Pollution Prevention and Control: Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a.; Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project
- Sustainable Water and Wastewater Management: Annual absolute (gross) water use before and after the project in m^3 p.a., reduction in water use in %; Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m^3 p.a. and as %
- Climate Change Adaptation: Area covered by sponge city-related projects in km^2; Number of people benefitted from reduced flood risk and associated benefits of sponge city-related projects
- Renewable Energy: Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent; Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy); Capacity of renewable energy plant(s) constructed or rehabilitated in MW
- Clean Transportation: Number of electric vehicle charging stations installed
- Affordable Housing: Number of Low Cost Housing units constructed; Rental costs/purchase prices compared to private market
- Affordable Basic Infrastructure and Essential Services: Capacity of public schools and public hospitals constructed; Area of public sports facilities, public parks/green spaces constructed; Details of connectivity to public transportation

We have engaged Sustainalytics, an independent firm that specializes in rating environmental and corporate governance performance, to provide an External Review in form of a Second Party Opinion ("SPO") on our Sustainable Financing Framework and to confirm the alignment with the GBP/SBP/SBG/GLP.

China

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. In August 2015, the PBOC moved to devalue the Renminbi against the U.S. dollar and announced a policy change allowing a more market-based determination of the official fixing rate. Following such announcement, the Renminbi depreciated significantly against the U.S. dollar. The PRC government may from time to time make further adjustments to the exchange rate system in the future. PBOC authorized the China Foreign Exchange Trading Centre to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

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

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9818	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1348	6.5250
2021				
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4932
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August (through August 6, 2021)	6.4825	6.4682	6.4825	6.4608

Source: Federal Reserve H.10 Statistical Release

Note: (1)

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

Hong Kong

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

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

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

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
		(HK$ per US$1.00)		
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7927	7.7500
2021				
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July	7.7723	7.7705	7.7837	7.7651
August (through August 6, 2021)	7.7783	7.7764	7.7783	7.7735

Source: Federal Reserve H.10 Statistical Release

Note: (1)

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our cash and bank balances, current borrowings, non-current borrowings, total equity and total capitalization as of December 31, 2020:

- on an actual basis; and
- as adjusted to give effect to the issue of the Notes in this offering before deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering.

The as-adjusted information below is illustrative only and, other than disclosed in the second bullet point above, does not take into account any changes in our borrowings and capitalization after December 31, 2020.

	As of December 31, 2020			
	Actual		As adjusted	
	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands)	(US$ in thousands) (unaudited)
Cash and bank balances[(1)]	36,078,762	5,529,312	38,027,258	5,827,932
Current borrowings:				
Borrowings	23,069,223	3,535,513	23,069,223	3,535,513
Notes to be issued[(4)]	–	–	1,948,496	298,620
Non-current borrowings:				
Borrowings[(2)(3)]	98,401,736	15,080,726	98,401,736	15,080,726
Total equity	78,719,374	12,064,272	78,719,374	12,064,272
Total capitalization[(5)]	177,121,110	27,144,998	177,121,110	27,144,998

(1) Cash and bank balances excludes restricted cash of RMB6,248.9 million (US$957.7 million), short-term bank deposits of RMB3,585.6 million (US$549.5 million) and long-term bank deposits of RMB1,200.0 million (US$183.9 million).

(2) We have, since December 31, 2020, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes, including, among others, the additional July 2023 Notes, the additional July 2025 Notes, the additional 2023 Notes, the November 2025 Notes, the June 2026 Notes and the July 2022 Notes. These changes in our borrowings after December 31, 2020 have not been reflected in this capitalization table.

(3) Our borrowings do not include capital commitments or contingent liabilities. As of December 31, 2020, our capital commitments were RMB29,245.6 million (US$4,482.1 million) and our contingent liabilities, which were in the form of guarantees that we have provided to our customers in relation to their purchases of our properties, amounted to RMB27,272.6 million (US$4,179.7 million).

(4) Representing the proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering.

(5) Total capitalization equals total non-current borrowings plus total equity.

For a description of our other material indebtedness, please see the section entitled "Description of Material Indebtedness and Other Obligations" in this offering memorandum. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2020.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of profit or loss and other comprehensive income data for 2018, 2019 and 2020 and the selected consolidated statement of financial position data as of December 31, 2018, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our consolidated financial statements as of and for the years ended December 31, 2019 and 2020, as audited by Grant Thornton Hong Kong Limited, included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Selected Consolidated Statement of Profit or Loss and Other Comprehensive Income and Other Selected Financial Data

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Revenue	38,704,967	48,021,685	55,770,181	8,547,154
Cost of sales	(27,576,209)	(34,191,622)	(39,862,713)	(6,109,228)
Gross profit	11,128,758	13,830,063	15,907,468	2,437,926
Other gains and (losses), net	(2,162,967)	(1,494,341)	334,729	51,299
Selling and marketing costs	(1,262,466)	(1,996,166)	(2,017,284)	(309,162)
Administrative expenses	(2,601,078)	(3,350,817)	(3,730,287)	(571,692)
Net fair value gain on investment properties	212,374	178,419	189,433	29,032
Net gain on disposals of subsidiaries	—	245,581	774,075	118,632
Net gain on deemed disposals of subsidiaries	2,912,593	2,460,638	816,560	125,143
Operating profit	8,227,214	9,873,377	12,274,694	1,881,178
Share of results of associates	239,913	92,619	(44,756)	(6,859)
Share of results of joint ventures	(48,726)	(197,697)	37,595	5,762
Fair value (losses)/gains of financial derivatives	—	(82,191)	52,838	8,098
Finance income	402,511	580,269	466,546	71,501
Finance costs	(1,049,027)	(798,774)	(2,284,561)	(350,124)
Finance income/(costs), net	(645,516)	(218,505)	(1,818,015)	(278,623)
Profit before income tax	7,771,885	9,467,603	10,502,356	1,609,556
Income tax expenses	(4,477,629)	(5,303,595)	(5,223,975)	(800,609)
Profit for the year	3,294,256	4,164,008	5,278,381	808,947

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Other comprehensive income/(loss), including reclassification adjustments				
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates	—	—	21,944	3,363
Exchange differences on translation of foreign operations	6,641	(25,165)	19,073	2,923
Other comprehensive income/(loss) for the year, including reclassification adjustments	6,641	(25,165)	41,017	6,286
Total comprehensive income for the year	3,300,897	4,138,843	5,319,398	815,233
Profit/(loss) for the year attributable to:				
Owners of the Company	2,750,206	4,594,265	5,447,125	834,808
Non-controlling interests	544,050	(430,257)	(168,744)	(25,861)
	3,294,256	4,164,008	5,278,381	808,947
Total comprehensive income/(loss) attributable to:				
Owners of the Company	2,734,394	4,578,816	5,494,815	842,117
Non-controlling interests	566,503	(439,973)	(175,417)	(26,884)
	3,300,897	4,138,843	5,319,398	815,233
Other Financial Data				
EBITDA[(1)]	15,132,337	16,876,565	17,895,850	2,742,659
EBITDA margin[(2)]	39.1%	35.1%	32.1%	32.1%

(1) EBITDA for any period consists of profit or loss for the period before, changes in fair value of investment properties, changes in fair value of financial derivatives, net fair value change on financial assets at FVTPL, waiver of other payables, net gain on repurchase of senior notes, net finance cost (excluding net exchange gains/losses), net exchange gains/losses, impairment loss on intangible assets, impairment loss on interest in an associate, impairment loss on goodwill, loss on derecognition of interest in an associate, provisions for expected credit loss, capitalized interest charged to cost of sales, income tax expense, depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets, amortization of land use rights, share-based payments and write down of completed properties held for sale, provisions for properties under development, write off of intangible assets, gain on disposal of financial assets at FVTPL, loss on disposal of investment properties, loss on disposal of deposits for land acquisitions and (gain)/loss on disposal of property, plant and equipment. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit or loss for the year/period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes, in particular, EBITDA as presented herein does not exclude EBITDA of our

Unrestricted Subsidiaries or EBITDA of our PRC subsidiaries, which cannot freely distribute dividends. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.

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

Selected Consolidated Statement of Financial Position Data

	As of December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Assets				
Non-current assets	65,915,004	80,314,972	81,791,864	12,535,152
Current assets	163,113,036	190,587,390	228,106,695	34,958,880
Total assets	229,028,040	270,902,362	309,898,559	47,494,032
Equity and Liabilities				
Non-current liabilities	96,278,821	91,427,400	103,398,130	15,846,457
Current liabilities	96,409,907	123,768,389	127,781,055	19,583,303
Total liabilities	192,688,728	215,195,789	231,179,185	35,429,760
Total equity	36,339,312	55,706,573	78,719,374	12,064,272
Total equity and liabilities	229,028,040	270,902,362	309,898,559	47,494,032

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

The following unaudited condensed consolidated results for the six months ended June 30, 2021 prepared in accordance with the IFRS, together with comparative figures for the year ended June 30, 2020, are extracted from the announcement of interim results for the year ended June 30, 2021 filed with the Hong Kong Stock Exchange on August 25, 2021.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended June 30, 2021

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Revenue	30,065,363	22,296,842
Cost of sales	(20,787,373)	(14,757,655)
Gross profit	9,277,990	7,539,187
Other gains and (losses), net	(317,026)	(604,954)
Selling and marketing costs	(758,717)	(747,636)
Administrative expenses	(1,445,923)	(1,267,405)
Net fair value (losses)/gains on investment properties	(1,166,201)	72,153
Operating profit	5,590,123	4,991,345
Share of results of associates	(7,417)	10,719
Share of results of joint ventures	224,062	76,168
Fair value gains of financial derivatives	27,450	62,076
Finance income	431,783	231,123
Finance costs	(1,223,292)	(612,009)
Finance costs, net	(791,509)	(380,886)
Profit before income tax	5,042,709	4,759,422
Income tax expenses	(1,963,651)	(2,400,721)
Profit for the period	3,079,058	2,358,701
Profit/(Loss) for the period attributable to:		
Owners of the Company	3,002,904	2,768,697
Non-controlling interests	76,154	(409,996)
	3,079,058	2,358,701
	RMB	RMB
		(Restated)
Earnings per share for profit attributable to owners of the Company during the period		
– Basic	0.468	0.445
– Diluted	0.465	0.444

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Profit for the period	3,079,058	2,358,701
Other comprehensive income/(loss) for the period, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss		
Exchange gain/(loss) on translation of foreign operations	4,862	(13,743)
Share of other comprehensive income of an associate, net of income tax	3,407	–
Other comprehensive income/(loss)for the period, including reclassification adjustments	8,269	(13,743)
Total comprehensive income for the period	3,087,327	2,344,958
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	2,988,658	2,770,126
Non-controlling interests	98,669	(425,168)
	3,087,327	2,344,958

Condensed Consolidated Statement of Financial Position

As of June 30, 2021

	Unaudited June 30, 2021	Audited December 31, 2020
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	5,531,381	5,311,916
Right-of-use assets	581,392	536,993
Investment properties	28,739,000	34,524,400
Land use rights	716,418	720,913
Investments in associates	12,051,412	11,657,848
Investments in joint ventures	18,175,814	18,386,366
Financial assets at fair value through profit or loss ("**FVTPL**")	5,256,207	5,369,151
Debtors, deposits and other receivables	187,922	20,000
Goodwill and intangible assets	1,376,268	1,276,405
Long-term bank deposits	1,000,000	1,200,000
Deferred tax assets	925,064	628,380
	74,540,878	79,632,372
Current assets		
Properties under development	83,474,404	71,367,943
Completed properties held for sale	16,226,342	13,036,568
Inventories	473,416	416,781
Deposits for land acquisition	18,435,768	18,204,746
Prepayments for proposed development projects	25,466,332	25,004,121
Debtors, deposits and other receivables	45,233,895	48,468,486
Prepaid taxes	811,131	356,481
Restricted cash	5,786,598	6,248,888
Financial assets at FVTPL	4,592,435	5,338,349
Short-term bank deposits	3,585,570	3,585,570
Cash and bank balances	38,363,726	36,078,762
	242,449,617	228,106,695
Investment in an associate held for sale	2,121,258	2,159,492
	244,570,875	230,266,187

	Unaudited June 30, 2021	Audited December 31, 2020
	RMB'000	RMB'000
Current liabilities		
Contract liabilities	51,545,115	49,706,027
Accrued construction costs	27,168,220	18,593,833
Income tax payable	14,086,481	12,020,469
Lease liabilities	130,599	103,208
Borrowings	25,017,332	23,069,223
Other payables	16,204,679	24,260,845
Derivative financial instruments	–	27,450
	134,152,426	127,781,055
Net current assets	110,418,449	102,485,132
Total assets less current liabilities	184,959,327	182,117,504
Non-current liabilities		
Lease liabilities	476,288	453,240
Borrowings	98,760,716	98,401,736
Other payables	32,585	19,768
Deferred tax liabilities	4,240,126	4,523,386
	103,509,715	103,398,130
Net assets	81,449,612	78,719,374
EQUITY		
Share capital	613,530	538,942
Share premium	6,457,928	4,948,564
Perpetual capital securities	1,350,054	1,350,054
Reserves	28,457,624	25,496,179
Equity attributable to owners of the Company	36,879,136	32,333,739
Non-controlling interests	44,570,476	46,385,635
Total equity	81,449,612	78,719,374

Land bank

The Group remained cautious in replenishing its land bank nationwide by making reference to the development of the Company, availability of land supply and its existing land bank in the regions. By ways such as joint development, acquisition and bidding, auction and listing as well as urban renewal, the Group continues to seek project resources in China's regions where economy prospers.

In the first half of 2021, the Group acquired a total of 15 parcels of land or related interests through diversified channels such as public bidding, M&A and urban renewal. The aggregate attributable consideration for land acquisition amounted to approximately RMB25,215 million. The total attributable GFA per maximum allowed plot ratio attributable to the Group was approximately 2.46 million sq. m.

As of June 30, 2021, the Group had a total land bank of approximately 31.15 million sq. m. and approximately 61.8% of land bank was located in the Greater Bay Area, which is sufficient for the Group's development needs for the next five years.

The table below sets forth detailed information of these land acquisitions:

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable Building Area	Attributable Consideration	Land use
			(sq. m.)	(sq. m.)	(RMB in millions)	
January 2021 . . .	Shantou, Guangdong	100.0%	116,204	493,296	2,271	Residential and Commercial
January 2021 . . .	Huizhou, Guangdong	100.0%	40,000	104,000	262	Residential and Commercial
February 2021 . .	Chongqing	100.0%	57,460	86,190	750	Residential
February 2021 . .	Zhanjiang, Guangdong	100.0%	26,676	110,045	331	Residential and Commercial
February 2021 . .	Guangzhou, Guangdong	55.0%	1,013,800	520,090	8,415	Residential and Commercial
March 2021 . . .	Chengdu, Sichuan	100.0%	50,538	101,076	1,304	Residential and Commercial
March 2021 . . .	Shenzhen, Guangdong	100.0%	24,781	187,870	1,668	Residential
April 2021	Chongqing	100.0%	62,405	93,608	1,000	Residential
April 2021	Chongqing	100.0%	31,493	78,733	920	Residential
April 2021	Shenyang, Liaoning	63.0%	130,657	164,628	1,445	Residential
May 2021	Shenzhen, Guangdong	100.0%	21,051	67,360	2,544	Residential
April 2021	Wuxi, Jiangsu	49.0%	50,732	44,969	322	Residential
June 2021	Hefei, Anhui	100.0%	147,147	259,647	2,301	Residential
June 2021	Chengdu, Sichuan	100.0%	28,912	86,737	840	Residential
June 2021	Foshan, Guangdong	40.0%	54,381	65,256	842	Residential and Commercial
Total			**1,856,237**	**2,463,505**	**25,215**	

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from business segments: (i) property development, (ii) property investment, (iii) property management, (iv) hotel and catering operations, (v) cinema, department store and cultural centre operations, (vi) water-way passenger and cargo transportation, (vii) healthcare operations and (viii) others. Revenue increased by 34.8% to approximately RMB30,065.4 million for the six months ended June 30, 2021 from approximately RMB22,296.8 million for the corresponding period in 2020. 92.0% of the Group's revenue was generated from the sales of properties (six months ended June 30, 2020: 92.6%) and 8.0% from other segments (six months ended June 30, 2020: 7.4%).

Sales of properties

Revenue from sales of properties increased by approximately RMB7,026.6 million, or 34.0%, to approximately RMB27,665.9 million for the six months ended June 30, 2021 from approximately RMB20,639.3 million for the corresponding period in 2020. The increase was primarily attributable to an increase in the total delivered GFA to approximately 1.4 million sq.m. for the six months ended June 30, 2021 from approximately 1.1 million sq.m. for the corresponding period in 2020.

Rental income

Revenue from rental income decreased by approximately RMB10.2 million, or 6.3%, to approximately RMB152.3 million for the six months ended June 30, 2021 from approximately RMB162.5 million for the corresponding period in 2020.

Property management

Revenue from property management service increased by approximately RMB428.4 million, or 77.2%, to approximately RMB983.2 million for the six months ended June 30, 2021 from approximately RMB554.8 million for the corresponding period in 2020. The increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations

Revenue from hotel and catering operations of the Group increased by approximately RMB67.1 million, or 93.7% to approximately RMB138.7 million for the six months ended June 30, 2021, from approximately RMB71.6 million for the corresponding period in 2020. The hotel and catering operations continued to recover from the impact of the COVID-19 during the first half of 2021.

Cinema, department stores and cultural centre operations

Revenue from cinema, department stores and cultural centre operations increased by approximately RMB76.3 million, or 171.5%, to approximately RMB120.8 million for the six months ended June 30, 2021 from approximately RMB44.5 million for the corresponding period in 2020. The cinema, department stores and culture centre operations continued to recover from the impact of the COVID-19 during the first half of 2021.

Water-way passenger and cargo transportation

Revenue from water-way passenger and cargo transportation increased by approximately RMB21.7 million, or 11.2% to approximately RMB215.4 million for the six months ended June 30, 2021 from approximately RMB193.7 million for the corresponding period in 2020.

Healthcare operations

Revenue from healthcare operations increased by approximately RMB29.7 million, or 12.6%, to approximately RMB264.7 million for the six months ended June 30, 2021 from approximately RMB235.0 million for the corresponding period in 2020.

Gross profit

The Group recorded a gross profit of approximately RMB9,278.0 million and a gross profit margin of 30.9% for the six months ended June 30, 2021 respectively, as compared to gross profit of approximately RMB7,539.2 million and a gross profit margin of 33.8% for the corresponding period in 2020.

Selling and marketing costs

The Group's selling and marketing costs increased by approximately RMB11.1 million, or 1.5%, to approximately RMB758.7 million for the six months ended June 30, 2021 from approximately RMB747.6 million for the corresponding period in 2020.

Administrative expenses

The Group's administrative expenses increased by approximately RMB178.5 million, or 14.1%, to approximately RMB1,445.9 million for the six months ended June 30, 2021 from approximately RMB1,267.4 million for the corresponding period in 2020. The increase was mainly due to increase in staff costs.

Net fair value (losses)/gains on investment properties

The Group recorded net fair value losses on investment properties of approximately RMB1,166.2 million for the six months ended June 30, 2021, as compared to net fair value gains on investment properties of approximately RMB72.2 million for the corresponding period in 2020.

Finance costs – net

The Group's net finance costs increased by approximately RMB410.6 million, or 107.8% to approximately RMB791.5 million for the six months ended June 30, 2021 from approximately RMB380.9 million for the corresponding period in 2020. The increase was mainly due to the relative decrease in the amount of capitalised financing costs compared to the corresponding period in 2020.

Income tax expenses

The Group's income tax expenses decreased by approximately RMB437.0 million, or approximately 18.2%, to approximately RMB1,963.7 million for the six months ended June 30, 2021 from approximately RMB2,400.7 million for the corresponding period in 2020.

Profit and total comprehensive income for the six months ended June 30, 2021

As a result of the foregoing, the Group's profit and total comprehensive income for the six months ended June 30, 2021 amounted to approximately RMB3,079.1 million and approximately RMB3,087.3 million, respectively (six months ended June 30, 2020: profit and total comprehensive income amounted to approximately RMB2,358.7 million and RMB2,345.0 million, respectively).

Liquidity, financial and capital resources

Cash position

As of June 30, 2021, the carrying amount of the Group's cash and bank deposits was approximately RMB48,735.9 million (December 31, 2020: RMB47,113.2 million), representing an increase of 3.4% as compared to that as of December 31, 2020. Certain property development companies of the Group placed a certain amount of pre-sales proceeds to designated bank accounts as collateral for the construction loans. Such collateral will be released after the completion of the pre-sales properties or the issuance of the title of the properties, whichever is the earlier. Additionally, as of June 30, 2021, certain of the Group's cash was deposited in certain banks as collateral for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The aggregate of the above collaterals (i.e., balance of pre-sale escrow funds) amounted to approximately RMB5,786.6 million as of June 30, 2021 (December 31, 2020: RMB6,248.9 million).

Borrowings and charges on the Group's assets

As of June 30, 2021, the Group had aggregate borrowings of approximately RMB123,778.0 million, of which approximately RMB25,017.3 million will be repayable within 1 year, approximately RMB28,318.0 million will be repayable between 1 and 2 years, approximately RMB68,095.0 million will be repayable between 2 and 5 years and approximately RMB2,347.7 million will be repayable over 5 years.

As of June 30, 2021, the senior notes were secured by the share pledge of the Company's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Company. The Group's domestic bank loans carried a floating interest rate linking up with the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly from the floating interest rate of domestic bank loans.

Key financial ratios

As of June 30, 2021, the Group has a leverage ratio (i.e. its net debts (total borrowings, net of cash and bank balances, short-term bank deposits, long-term bank deposits and restricted cash) over total assets) of 23.5% (December 31, 2020: 24.0%). The Group's net current assets increased by 7.7% from approximately RMB102,485.1 million as of December 31, 2020 to approximately RMB110,418.4 million as of June 30, 2021. The quick ratio (cash and bank deposits divided by short-term borrowings) decreased to 1.9 times as of June 30, 2021 from 2.0 times as of December 31, 2020, and the current ratio remained stable at 1.8 times as of June 30, 2021.

The net gearing ratio is calculated by dividing total borrowings (including short-term and long-term borrowings) minus cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) by the total equity (excluding perpetual capital securities). As of June 30, 2021, the Group's borrowings (including short-term and long-term borrowings) were RMB123,778.0 million, and cash and cash equivalents (including restricted cash, short-term bank deposits and long-term bank deposits) was RMB48,735.9 million. The total equity (excluding perpetual capital securities) was RMB80,099.6 million, so the net gearing ratio as of June 30, 2021 was 93.7%, which is 2.4 percentage points lower than the 96.1% as of December 31, 2020.

The cash to short-term debt ratio is cash and bank balances (excluding restricted cash and short-term bank deposits) divided by short-term borrowings. As of June 30, 2021, the Group's cash and bank balances (excluding restricted cash and short-term bank deposits) were RMB38,363.7 million, short-term borrowings were RMB25,017.3 million. Therefore, the cash to short-term debt ratio was 1.53.

The liabilities to assets ratio after excluding receipts in advance is calculated by subtracting receipts in advance (including contract liabilities) from total liabilities and dividing by total assets excluding perpetual capital securities minus receipts in advance (including contract liabilities). As of June 30, 2021, the Group's receipts in advance (including contract liabilities) was RMB51,545.1 million, total liabilities was RMB237,662.1 million, and total assets was RMB319,111.8 million; total liabilities and total assets after excluding perpetual capital securities minus receipts in advance was RMB186,117.0 million and RMB266,216.6 million, respectively. Therefore, the liabilities to asset ratio after excluding receipts in advance was 69.9%, as compared with 70.1% of December 31, 2020, representing a decrease by 0.2 percentage points.

Cost of borrowings

For the six months ended June 30, 2021, the Group's total cost of borrowings was RMB5,910.1 million, representing an increase of approximately RMB42.6 million or 0.7% as compared to the corresponding period in 2020. The increase was primarily attributable to the increase in the average borrowing balance.

Foreign currency risks

The Group's property development projects are all located in China and most of the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies which operate in Hong Kong have recognised assets and liabilities in currencies other than RMB. As of June 30, 2021, the Group had borrowings in US dollar and HK dollar with an aggregate carrying amount of RMB4,584.5 million, which are subject to foreign currency exposure.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

As of June 30, 2021, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to its customers amounting to approximately RMB32,996.1 million (December 31, 2020: RMB27,272.6 million). Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, but the Group would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. As of June 30, 2021, the Group had provided guarantees in respect of certain bank loans of approximately RMB4,930.0 million for its joint ventures and associates.

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2018", "2019" and "2020" refer to our financial years ended December 31, 2018, 2019 and 2020, respectively.

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 28.8 million sq.m. GFA in 51 cities across six regions. According to China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 24th among Chinese property developers nationwide in terms of attributable contracted sales. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Foshan, Guangzhou, Huizhou, Dongguan, Zhongshan, Zhuhai, Yangjiang and Qingyuan. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including the Yangtze River Delta region, the Western China region, the Central China region and the Pan-Bohai Bay Rim.

As of December 31, 2020, we had a total of 217 property development projects, including completed properties, properties under development and properties for future development, in 51 cities in China. As of December 31, 2020, we had completed properties with a total GFA of approximately 31.7 million sq.m., and had a land bank with an estimated total GFA of approximately 28.8 million sq.m., including completed properties held for sale with a total GFA of approximately 1.8 million sq.m., properties under development with an estimated total GFA of approximately 16.4 million sq.m. and properties for future development with an estimated total GFA of approximately 10.7 million sq.m.

Our revenue was RMB38,705.0 million, RMB48,021.7 million and RMB55,770.2 million (US$8,547.2 million), in 2018, 2019 and 2020 respectively. Our revenue was primarily generated from sales of our developed properties. Our remaining revenue was generated from rental income, revenue from our property management services, revenue from hotel and catering operations, revenue from cinema, department store and cultural centre operations, revenue from water-way passenger and cargo transportation and revenue from other operations.

Key Factors Affecting Our Results of Operations

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

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

Our business is heavily dependent on the performance of the real estate market in China, particularly in the Pearl River Delta region. The performance of the PRC real estate industry is subject to continued growth in the economy, the rate of urbanization and the resultant demand for properties in China. Recent world events and developments, such as Brexit and trade tensions between the United States and China, will continue to affect China's economy at the macro level. See "Risk factors — Risks relating to the Business — We may be adversely affected by fluctuations in the global economy and financial markets." The key factors that we consider to be important to our operations include (1) general economic development, including the global economy and the overall economic growth in China, (2) growth conditions in the private sector and (3) urban planning. Economic growth attributable to the private business sector has increased the

general level of disposable income and the number of middle to upper-middle income households, which are our primary target customers. Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations.

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which adversely affected property demand and average selling prices in many areas of China. In 2010, a financial crisis emerged in Europe, creating concerns about the ability of certain European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years and on December 1, 2014, Moody's downgraded the debt rating of Japan to "A1" from "Aa3." These events, including the uncertainties surrounding Brexit, coupled with ongoing political unrest in the Middle East, Eastern Europe and Africa have resulted in an environment of macroeconomic uncertainty. More recently, the risk of a trade war between China and the United States has emerged which, together with the impact of the COVID-19 pandemic, have contributed to additional macroeconomic uncertainty and adding further downward pressure and negative sentiment to the global economy, including that of China and the United States. It is difficult to determine the impact that any global economic slowdown, financial crisis or trade war may have on the property industry in China. If any global economic slowdown, financial market crisis or trade war eventuates, continues or worsens, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

The regulatory environment and measures affecting the real estate industry in China

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

Ability to acquire suitable land at suitable prices

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Based on our current development plans, we have sufficient land reserves for property developments for the next five years. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC government policies and measures on land supply may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is likely to increase competition for available land and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulations." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Land and construction costs

Our results of operations are affected by key components of our cost of sales, such as land costs and construction costs. In 2018, 2019 and 2020, our land costs recognized in cost of sales were RMB12,330.4 million, RMB13,198.7 million and RMB14,241.3 million (US$2,182.6 million), respectively, and our land cost as a percentage of our property sales revenue was approximately 34.2%, 30.1% and 27.8%, respectively. Land premiums have generally been increasing over the past 10 years in China. We believe that land premiums will continue to rise as the PRC economy continues to develop. Another key component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement.

Access to and cost of financing

Borrowing is an important source of funding for our property developments. As of December 31, 2018, 2019 and 2020, our outstanding borrowings amounted to RMB108,766.0 million, RMB117,195.6 million and RMB121,471.0 million (US$18,616.2 million), respectively. The effective interest rates on our bank borrowings included in non-current liabilities as of December 31, 2018, 2019 and 2020 were approximately 7.3%, 7.0% and 6.5%, respectively. The effective interest rates on our bank borrowings included in current liabilities 7.2%, 6.6% and 7.2% as of December 31, 2018, 2019 and 2020, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our ability and flexibility to use bank loans to finance our property projects are also affected by the measures taken by the PRC government from time to time to restrain money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. In addition to bank borrowings, we have also accessed capital markets for our financing requirements. See "Description of Material Indebtedness and Other Obligations." An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Pre-sale and progress of property development

Pre-sales constitute the most important source of our operating cash inflow during our project development. PRC law allows us to pre-sell properties before their completion upon obtaining the pre-sale permit from the relevant governmental authorities and requires us to use the pre-sale proceeds to develop the relevant pre-sale property projects. However, we do not recognize revenue from the pre-sale of a property until the property has been delivered to the purchaser. We record the proceeds received from the pre-sold properties as contract liabilities (or "advance proceeds received from customers and deposits received" prior to January 1, 2018 on which date HKFRS 9 and HKFRS 15 became effective), an item of current liabilities on our consolidated statement of financial position and as a part of cash inflows from operating activities on our consolidated cash flow statements. Our contract liabilities as of December 31, 2018, 2019 and 2020 amounted to RMB39,154.1 million, RMB39,388.7 million and RMB49,706.0 million (US$7,617.8 million), respectively, demonstrating a steady growth of our property development business, which was driven by the increasing demand in housing in regions where we operate with net population inflow and strong economic development such as the Pearl River Delta Region.

The progress of property development may affect our ability to deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows from pre-sales. In addition, reduced cash inflow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. We prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities and provide for unpaid LAT liabilities based on our best estimate according to our understanding of prevailing tax rules. Actual LAT liabilities are, however, subject to determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provisions are

sufficient to cover all actual LAT obligations as of each balance sheet date in respect of our past LAT liabilities. See "Regulations."

Fair Value of Investment Properties

We hold investment properties for rental income or capital appreciation. We consider the estimated long-term growth potential, overall market conditions and our cash flows and financial condition when we decide whether to sell or hold our completed properties for long-term investment purposes. Going forward, we intend to continue to consider the above factors in deciding whether to sell or lease our completed properties and we expect to increase our investment property portfolio over time. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our consolidated profit or loss, which may have a substantial effect on our profits. Total GFA of completed investment properties we held for rental income was 0.61 million sq.m., 0.54 million sq.m. and 0.54 million sq.m. as of December 31, 2018, 2019 and 2020, respectively. Our investment properties were revalued by an independent property valuer as of December 31, 2018, 2019 and 2020, respectively, using the income capitalization approach and direct comparison method, as applicable, which reflected market conditions at those dates. The fair value of our investment properties may have been higher or lower had the valuer used a different set of bases or assumptions, or had the valuation been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant reporting dates and do not generate any cash inflow for our operations or potential dividend distribution to our shareholders. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted. See "Risk Factors — Risks Relating To the Business — The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability."

Critical Accounting Policies

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

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

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

Revenue recognition

Revenue is shown after eliminating sales with the companies comprising our Group. Revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the activities as described below.

As of January 1, 2018, we adopted HKFRS 9, HKFRS 15 and other amended standards that are effective from the financial period beginning from January 1, 2018 and relevant to the our operation. According to HKFRS 15, the recognition of the revenue is replaced by the activities as described below:

Revenue from sale of properties

After January 1, 2018, revenue is recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the law that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

For properties that have no alternative use to us due to contractual reasons and when we have an enforceable right to payment from the customers for performance completed to date, we recognize revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress, i.e. the costs incurred up to date compared with the total budgeted costs, which depict our performance towards satisfying the performance obligation.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and we have present right to payment and the collection of the consideration is probable.

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.

Deposits and instalments received from purchasers prior to delivery of the properties to the customers are contract liabilities.

Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

Hotel operation income

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

Property management

Revenue arising from property management is recognized in the accounting period in which the services are rendered. We bill a fixed amount for each month of service provided and recognises as revenue in the amount to which we have a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where we act as principal and is primary responsible for providing the property management services to the property owners, we recognize the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, we recognize the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

Catering income

Revenue from restaurant operations is recognized when food, beverages and services are delivered to or rendered to and have been accepted by customers.

Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognized on a straight-line basis over the period of each time charter contract.

Passenger transportation agency service

Revenue from passenger transportation agency service are recognized based on net agencies fee upon departure of ferries at terminals.

Sales of goods

We manufacture and sell a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognized when the products have been delivered to and accepted by customers.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Fair value of investment properties

An investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Properties under development

For accounting purposes, properties under development include properties for which we have obtained the relevant land use rights certificates. Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions. Development cost of properties comprises construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. The assessment of carrying amount of properties under development requires the use of our judgment and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Completed properties held for sale

Completed properties remaining unsold as of December 31, 2018, 2019 and 2020 are included in current assets and are measured at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties and borrowing costs. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions. The assessment of the carrying amount of completed properties for sale requires the use of our judgment and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Prepayments for proposed development projects and deposits for land acquisition

We assess the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts, taking into account estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realized. The assessment requires the use of judgment and estimates.

Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are recognized as an expense in the period which they are incurred.

Income taxes, withholding taxes and deferred taxation

Significant judgment is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax, withholding tax and deferred tax provision in the period when such determination is made.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilization may be different.

LAT

Our property developments are subject to LAT. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of comprehensive income as cost of sales. We make LAT provisions based on our calculation in accordance with relevant government regulations. The tax bureaus in general have not strictly enforced the LAT regulations, and many localities have not published settlement rules. Accordingly, significant judgment is required in determining the amount of LAT. We recognize LAT based on our management's best estimates according to our understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provision in the periods in which such taxes have been finalized with local tax authorities. See "— Key Factors Affecting Our Results of Operations — LAT" and the section entitled "Risk Factors — Risks Relating to the Businesses — Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations."

Certain Profit or Loss Items

Revenue

Revenue primarily comprises the fair value of the consideration received or receivable for the sales of properties, including completed properties held for sale and properties under development, and provision of services in the ordinary course of business. We generally recognize our revenue from sales of properties after the properties have been sold and delivered to the purchasers. We pre-sell our properties under development in accordance with PRC pre-sale regulations. In respect of pre-sales of completed properties held for sale, we do not recognize the proceeds from pre-sales until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap ranging from one to two years between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as contract liabilities (or "advance proceeds received from customers and deposits received" prior to January 1, 2018 on which date HKFRS 9 and HKFRS 15 became effective), an item of current liabilities on our consolidated statement of financial position and as a part of cash inflows from operating activities on our consolidated cash flow statements. We generate a small portion of revenue from the rental income derived from our investment properties, property management services, hotel and catering operations, cinema, department store and cultural center operations and other operations.

In 2018, 2019 and 2020, we derived most of our revenue from sales of properties we developed. The following table sets out our revenue in each business segment and the percentage of revenue represented by each segment for the periods indicated.

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
Sales of properties	36,080.6	43,848.6	51,194.4	7,845.9
Rental income	278.6	455.7	543.7	83.3
Property management services	516.2	912.3	1,349.2	206.8
Hotel and catering operations	249.9	276.9	263.4	40.4
Cinema, department store and cultural center operations	491.1	664.4	158.2	24.2
Water-way passenger and cargo transportation	810.6	869.8	424.4	65.0
Healthcare operations	–	223.5	491.0	75.2
Others	278.0	770.5	1,345.9	206.3
Total	38,705.0	48,021.7	55,770.2	8,547.2

Cost of sales

Cost of sales comprises primarily land costs, construction costs, capitalized borrowing costs, business taxes and other direct costs related to property development, property investment and property management. The table below sets forth breakdowns by these categories of our cost of sales for the periods indicated.

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions) (unaudited)
Land costs	12,330.4	13,198.7	14,241.3	2,182.6
Construction costs	9,388.1	13,067.4	16,176.4	2,479.1
Capitalized borrowing costs	3,591.0	4,830.8	5,456.9	836.3
Business taxes	298.9	466.0	410.3	62.9
Other direct costs related to property development, property investment and property management	1,967.8	2,628.7	3,577.8	548.3
Total cost of sales	27,576.2	34,191.6	39,862.7	6,109.2

Land costs. Land costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges and demolition and resettlement cost. The land costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers.

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. The construction costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers. Our construction costs are affected by a number of factors such as price movements for construction materials, location and types of properties, choices of materials and investments in ancillary facilities.

Capitalized borrowing costs. Capitalized borrowing costs are general and specific borrowing costs directly attributable to the acquisition, constructions or production of our property development projects that are released to profit or loss as part of the cost of sales when the properties are sold.

Business taxes. Revenues from property development and property investment are subject to business taxes of 5%, and revenue from property management is also subject to business taxes of 5%. In March 2016, the Ministry of Finance and State Administration of Taxation jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), pursuant to which we are subject to value-added tax instead of business tax since May 2016.

Other gains and losses — net

Net other gains and losses primarily consist of write-down of completed properties held for sale and properties under development net of government subsidy income and gain on disposal of available-for-sale financial assets.

Selling and marketing costs

Selling and marketing costs include advertising expenses, sales and agency commissions and other expenses relating to sales and promotion of our properties.

Administrative expenses

Administrative expenses comprise primarily staff costs, office expenses, directors' emoluments, depreciation, legal and professional fees, travel expenses and donations.

Fair value gain on investment properties

We hold certain properties for rental income or capital appreciation. Changes in fair values of investment properties are recognized in the consolidated profit or loss in the year such changes arise. The fair values of our investment properties as of December 31, 2018, 2019 and 2020 were determined by independent property valuers. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets. See "— Critical Accounting Policies — Fair Value of Investment Properties."

Fair value loss on financial derivatives

Pursuant to our Debt Restructuring, we issued CVRs and Mandatorily Exchangeable Bonds on July 21, 2016. See "Description of Material Indebtedness and Other Obligations Debt Restructuring." The CVRs and the derivative component of the Mandatorily Exchange Bonds are measured at fair value at each reporting date.

Finance income

Finance income comprises interest income on bank deposits.

Finance costs

Finance costs comprise primarily interest expenses on bank borrowings and other borrowings, net of capitalized borrowing costs. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period.

Income tax expenses

Income tax expenses represent PRC enterprise income tax payable, deferred income tax and LAT payable by our subsidiaries. The following table sets forth our tax provision for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Current income tax				
— PRC enterprise income tax	2,687,318	2,466,161	3,162,104	484,614
— PRC LAT	2,505,458	2,559,899	2,222,657	340,637
Deferred income tax	(715,147)	277,535	(160,786)	(24,642)
Total income tax expenses	4,477,629	5,303,595	5,223,975	800,609

No Hong Kong profits tax was provided in 2018, 2019 and 2020 as we had no assessable profits for those periods. The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands and, accordingly, is exempt from payment of income tax as there are no laws enacted in the Cayman Islands which impose any tax to be levied on profits, income, gains or appreciations.

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries to us were exempt from PRC income tax. However, pursuant to the Enterprise Income Tax Law and its implementation rules that became effective on January 1, 2008, dividends payable by foreign-invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless such foreign investors' jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. See "Regulations."

Results of Operations

2020 Compared to 2019

Revenue. Our revenue increased by 16.1% to approximately RMB55,770.2 million (US$8,547.2 million) in 2020 from approximately RMB48,021.7 million in 2019, mainly attributable to an increase in sales of properties.

Sales of Properties. Our revenue from sales of properties increased by approximately RMB7,345.8 million, or 16.7%, to approximately RMB51,194.4 million (US$7,845.9 million) in 2020 from approximately RMB43,848.6 million in 2019. The increase was primarily attributable to an increase in the total delivered GFA from approximately 2.5 million sq.m. in 2019 to approximately 3.2 million sq.m. in 2020.

Rental income. Our rental income increased by approximately RMB88.0 million, or 19.3%, to approximately RMB543.7 million (US$83.3 million) in 2020 from RMB455.7 million in 2019. The increase was primarily attributable to the commencement of rental at certain properties in 2020.

Property management services. Our revenue from property management services increased by approximately RMB436.9 million, or 47.9%, to approximately RMB1,349.2 million (US$206.8 million) in 2020 from RMB912.3 million in 2019. The increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations. Our revenue from hotel and catering operations decreased by approximately RMB13.5 million, or 4.9% to approximately RMB263.4 million (US$40.4 million) in 2020 from approximately RMB276.9 million for the same period in 2019. The decrease was primarily attributable to the outbreak of the COVID-19 pandemic.

Cinema, department stores and cultural center operations. Our revenue from cinema, department store and cultural center operations decreased by approximately RMB506.2 million, or 76.2%, to approximately RMB158.2 million (US$24.2 million) in 2020 from approximately RMB664.4 million in 2019. The decrease was primarily attributable to the closure of cinema and culture center in early 2020 as result of the outbreak of the COVID-19 pandemic.

Water-way passenger and cargo transportation. Our revenue from water-way passenger and cargo transportation decreased by approximately RMB445.5 million, or 51.2%, to approximately RMB424.4 million (US$65.0 million) in 2020 from approximately RMB869.8 million in 2019. The decrease was primarily attributable to the passenger volume decreased significantly as result of the outbreak of the COVID-19 pandemic.

Health care operations. Our revenue from health care operations increased by approximately RMB267.5 million, or 119.7%, to approximately RMB491.0 million (US$75.2 million) in 2020 from approximately RMB223.5 million in 2019. The increase was primarily due to acquisition of a pharmaceutical company in 2019.

Gross profit. Our gross profit increased to approximately RMB15,907.5 million (US$2,437.9 million) in 2020 from approximately RMB13,830.1 million in 2019. Our gross profit margin remained stable at 28.5% in 2020 as compared to 28.8% for the same period in 2019.

Other losses, net. We had net other gains of approximately RMB334.7 million (US$51.3 million) in 2020, as compared to net other losses of approximately RMB1,494.3 million in 2019. Our net other gains and losses in 2020 mainly comprised provision for expected credit loss, write-down of completed properties held for sale and properties under development, written off of debtors and other receivables and net fair value loss on financial assets at fair value through profit or loss and offset by net exchange gain.

Selling and marketing costs. Our selling and marketing costs increased by approximately RMB21.1 million, or 1.1% to approximately RMB2,017.3 million (US$309.2 million) in 2020 from approximately RMB1,996.2 million in 2019.

Administrative expenses. Our administrative expenses increased by approximately RMB379.5 million, or 11.3% to approximately RMB3,730.3 million (US$571.7 million) in 2020 from approximately RMB3,350.8 million in 2019. The increase was primarily attributable to the increase in staff costs, legal and professional fees and donations.

Net fair value gains on investment properties. The net fair value gains on our investment properties increased by approximately RMB11.0 million or 6.2% to approximately RMB189.4 million (US$29.0 million) in 2020 from RMB178.4 million in 2019.

Finance costs, net. Our net finance costs increased by approximately RMB1,599.5 million, or 732.0% to approximately RMB1,818.0 million (US$278.6 million) in 2020 from approximately RMB218.5 million in 2019. The increase was mainly due to an increase in total interest expense as result of higher average balance of borrowings in 2020 and relatively lower amount of finance costs were capitalized as compared to 2019.

Income tax expenses. Our income tax expenses decreased slightly by approximately RMB79.6 million, or approximately 1.5%, to approximately RMB5,224.0 million (US$800.6 million) in 2020 from approximately RMB5,303.6 million in 2019.

Profit for the year. As a result of the foregoing, our profit in 2020 was RMB5,278.4 million (US$809.0 million), as compared to RMB4,164.0 million in 2019.

2019 Compared to 2018

Revenue. Our revenue increased by 24.1% to approximately RMB48,021.7 million in 2019 from approximately RMB38,705.0 million in 2018, mainly attributable to an increase in sales of properties.

Sales of properties. Our revenue from sales of properties increased by approximately RMB7,768.0 million, or 21.5%, to approximately RMB43,848.6 million in 2019 from approximately RMB36,080.6 million in 2018. The increase was primarily attributable to an increase in the total delivered GFA from approximately 2,096,568 sq.m. in 2018 to approximately 2,547,961 sq.m. in 2019.

Rental income. Our rental income increased by approximately RMB177.1 million, or 63.6%, to approximately RMB455.7 million in 2019 from approximately RMB278.6 million in 2018. The increase was primarily attributable to an increase in the total GFA delivered and rented in 2019.

Property management services. Our revenue from property management services increased by approximately RMB396.1 million, or 76.7%, to approximately RMB912.3 million in 2019 from approximately RMB516.2 million in 2018. This increase was primarily attributable to the increased GFA under property management.

Hotel and catering operations. Our revenue from hotel and catering operations increased by approximately RMB27.0 million, or 10.8% to approximately RMB276.9 million in 2019 from approximately RMB249.9 million in 2018. The increase was primarily attributable to the business expansion in this segment.

Cinema, department store and cultural center operations. Our revenue from cinema, department store and cultural center operations increased by approximately RMB173.3 million, or 35.3%, to approximately RMB664.4 million in 2019 from approximately RMB491.1 million in 2018. The increase was primarily attributable to the business expansion in this segment.

Water-way passenger and cargo transportation. Our revenue from water-way passenger and cargo transportation increased by approximately RMB59.2 million, or 7.3%, to approximately RMB869.8 million in 2019 from approximately RMB810.6 million in 2018. The increase was primarily attributable to the business expansion in this segment.

Cost of sales. Our cost of sales increased by approximately RMB6,615.4 million, or 24.0%, to approximately RMB34,191.6 million in 2019. The increase was in line with the increase in revenue.

Gross profit. As a result of the above, our gross profit increased by approximately RMB2,701.3 million, or 24.3%, to approximately RMB13,830.1 million in 2019 from approximately RMB11,128.8 million in 2018. Our gross profit margin remained unchanged in 2019 at 28.8%.

Other losses, net. We had net other losses of approximately RMB1,494.3 million in 2019, as compared to net other losses of approximately RMB2,163.0 million in 2018. Our net other gains and losses in 2019 mainly comprised provision for expected credit loss, loss on disposal of investment properties, impairment loss on intangible assets and write-down of completed properties held for sale and properties under development, written off of debtors and other receivables, loss on derecognition of interest in an associate, net exchange loss and offset by net fair value gain on financial assets at fair value through profit or loss, and government subsidy income, and net gain on repurchase of senior notes.

Selling and marketing costs. Our selling and marketing costs increased by approximately RMB733.7 million, or 58.1%, to approximately RMB1,996.2 million in 2019 from approximately RMB1,262.5 million in 2018. The increase in selling and marketing costs was in line with the increase in the contracted sales for the year ended 31 December 2019.

Administrative expenses. Our administrative expenses increased by approximately RMB749.7 million, or 28.8%, to approximately RMB3,350.8 million in 2019 from approximately RMB2,601.1 million in 2018. The increase was mainly due to increase in legal and professional fees, donations and amortisation of intangible assets.

Fair value gain on investment properties. The net fair value gain of our investment properties decreased by approximately RMB34.0 million, or 16.0%, to approximately RMB178.4 million in 2019 from approximately RMB212.4 million in 2018. The decrease was mainly due to disposal of certain investment properties during the year ended 31 December 2019.

Finance costs, net. Our net finance costs decreased by approximately RMB427 million or 66.2%, to approximately RMB218.5 million in 2019 from approximately RMB645.5 million in 2018. The decrease was mainly due to a decrease in exchange loss arised from the U.S. dollar denominated offshore financing as a result of the less depreciation of Renminbi against the U.S. dollar in 2019 as compared with 2018.

Income tax expense. Our income tax expenses increased by approximately RMB826.0 million, or approximately 18.4%, to approximately RMB5,303.6 million in 2019 from approximately RMB4,477.6 million in 2018. The increase was primarily attributable to the increase in operating profit in 2019.

Profit for the year. As a result of the foregoing, our profit for the year increased by RMB869.7 million, or approximately 26.4%, to approximately RMB4,164.0 million in 2019 from RMB3,294.3 million in 2018.

Liquidity and Capital Resources

We believe our current liquidity and capital resources are sufficient to meet anticipated working capital needs, interest expenses, commitments, capital expenditures, and investment activities over the next twelve months.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
Net cash generated from/(used in) operating activities	10,599	(2,063)	4,530	694
Net cash used in investing activities	(22,175)	(24,646)	(25,890)	(3,968)
Net cash generated from financing activities	14,726	38,026	30,418	4,662
Cash and cash equivalents at the end of the year	15,479	26,825	36,079	5,529

Operating activities

In 2020, our net cash generated from operating activities of RMB4,530.1 million (US$694.3 million) was attributable to cash generated from operations of RMB18,994.0 million (US$2,911.0 million), partially offset by income tax paid of RMB2,963.5 million (US$454.2 million) and interest paid of RMB11,500.4 million (US$1,762.5 million). We recorded net cash generated from operations before changes in working capital of RMB11,031.2 million (US$1,690.6 million), primarily attributable to profit for the year of RMB5,278.4 million (US$809.0 million), as adjusted primarily by income tax expenses of RMB5,224.0 million (US$800.6 million) and write-down of completed properties held of sale and properties under development of RMB2,578.9 million (US$395.2 million), partially offset by net exchange gains of RMB4,670.8 million (US$715.8 million). Changes in working capital contributed to a net cash inflow of RMB7,962.8 million (US$1,220.4 million) consisting primarily of other payables of RMB8,506.1 million (US$1,303.6 million) and contract liabilities of RMB7,647.4 million (US$1,172.0 million), partially offset by debtors, deposits and other receivables of RMB17,091.4 million (US$2,619.4 million).

In 2019, our net cash used in operating activities of RMB2,063.5 million was attributable to cash generated from operations of RMB9,362.3 million, partially offset by income tax paid of RMB1,784.2 million and interest paid of RMB9,641.5 million. We recorded cash generated from operations before changes in working capital of RMB9,382.6 million, primarily attributable to profit for the year of RMB4,164.0 million, as adjusted by income tax expenses of RMB5,303.6 million and net exchange losses of RMB785.4 million, partially offset by net gain on deemed disposals of subsidiaries of RMB2,460.6 million and net gain on disposals of subsidiaries of RMB245.6 million. Changes in working capital contributed to a net cash outflow of RMB20.3 million consisting primarily of other payables of RMB18,593.6 million, accrued construction costs of RMB4,676.6 million and properties under development and completed properties held for sale RMB4,510.4 million, partially offset by contract liabilities of RMB3,157.2 million, debtors, deposits and other receivables of RMB14,046.3 million and prepayments for proposed development projects of RMB8,017.9 million.

In 2018, our net cash generated from operating activities of RMB10,599.2 million was attributable to cash generated from operations of RMB24,650.9 million, partially offset by income tax paid of RMB3,190.1 million and interest paid of RMB10,861.6 million. We recorded cash generated from operations before changes in working capital of RMB8,416.6 million, primarily attributable to profit for the year of RMB3,294.3 million, as adjusted by income tax expenses of RMB4,477.6 million and net exchange losses of RMB1,524.3 million, partially offset by net gain on deemed disposals of subsidiaries of RMB2,912.6 million. Changes in working capital contributed to a net cash inflow of RMB16,234.3 million consisting primarily of contract liabilities of RMB15,511.6 million, other payables of RMB3,196.0 million and deposits for land acquisition of RMB1,977.5 million, partially offset by debtors, deposits and other receivables of RMB3,371.6 million and prepayments for proposed development projects of RMB1,981.4 million.

Investing activities

In 2020, our net cash used in investing activities of RMB25,889.8 million (US$3,967.8 million) was primarily attributable to increase in amounts due from joint ventures and acquisition of subsidiaries, net of cash acquired.

In 2019, our net cash used in investing activities of RMB24,646.1 million was primarily attributable to acquisitions of associates and increase in amounts due from joint ventures.

In 2018, our net cash used in investing activities of RMB22,174.5 million was primarily attributable to increase in amounts due from associates and additions to investment properties.

Financing activities

In 2020, our net cash generated from financing activities of RMB30,418.1 million (US$4,661.8 million) was primarily attributable to proceeds from bank and other borrowings and net proceeds from issuance of senior notes, partially offset by repayments of bank and other borrowings.

In 2019, our net cash generated from financing activities of RMB38,026.5 million was primarily attributable to proceeds from bank and other borrowings and issuance of senior notes, partially offset by repayments of bank and other borrowings.

In 2018, our net cash generated from financing activities of RMB14,725.7 million was primarily attributable to proceeds from bank and other borrowings and issuance of senior notes, partially offset by repayment of bank and other borrowings.

Capital commitment

Commitments for property development expenditure and acquisition of subsidiaries and an associate

We incur capital expenditure primarily for our property development. The following table sets forth the commitments for our property development expenditure as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
Contracted but not provided for				
— Acquisitions/construction of property, plant and equipment	100.2	69.3	—	—
— Acquisitions of land use rights and property development activities	35,377.0	34,429.9	28,777.9	4,410.4
— Acquisitions of subsidiaries	863.3	4,399.6	107.7	16.5
— Acquisitions of an associate and a joint venture	1,878.2	560.0	360.0	55.2
	38,218.7	39,458.8	29,245.6	4,482.1

Operating lease commitments

The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands)
Not later than one year	167,967	6,441	969	149
Later than one year and not later than five years	398,140	—	4	1
Later than five years	586,360	—	—	—
Total	1,152,467	6,441	973	150

Capital resources and cash management

Property development projects require substantial capital expenditure for land acquisition and construction. The financing methods for our projects vary and are subject to limitations imposed by PRC regulations and monetary policies. Historically, we have primarily financed our expenditures and working capital through internal funds, proceeds from pre-sales and sales of properties, borrowings from banks and other funds raised from the capital markets from time to time. Our cash flow and results of operations of our operating subsidiaries affect our liquidity. See the section entitled "Risk Factors — We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness."

As of December 31, 2018, 2019 and 2020, the carrying amount of our cash and bank deposits was approximately RMB22,924.1 million, RMB36,978.1 million and RMB47,113.2 million (US$7,220.4 million), respectively. Pursuant to relevant regulations in the PRC, certain of our property development companies are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as of December 31, 2020, some of our cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the our properties. The aggregate of the above guarantee deposits amounted to approximately RMB6,248.9 million (US$957.7 million) as of December 31, 2020.

We seek to manage our working capital to ensure collection and deployment of our funds. We use our annual budget, supplemented by our monthly cash flow projections, to forecast and manage our cash inflows and outflows. In addition, we prepare cash flow projections on a monthly basis to monitor our cash flow in connection with land acquisition, construction cost payments, financings, repayments of loans, taxes and other expenses. Our finance division also prepares daily cash flow summaries for our senior management to monitor and manage daily collection and use of cash.

We seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. In addition, we seek to effectively manage our future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting our development schedule to ensure that we have available resources to finance our projects, implementing cost control measures, adopting more flexible approach to pricing for our property sales, and renegotiating payment terms with counterparties in certain land-related contractual arrangements. We will continue to assess these alternative plans on an ongoing basis and may choose to adopt them if necessitated by our then-existing financial conditions and cash requirements.

We monitor our capital and indebtedness levels by reviewing our gearing ratio, which is equal to net debt (total borrowings net of cash and cash equivalents, bank deposits and restricted cash) divided by total equity. Our gearing ratio, as of December 31, 2018, 2019 and 2020, was 236.2%, 144.0% and 94.5%, respectively. We also monitor our indebtedness level generally through monthly review of our management accounts including balance sheets, income statements and cash flow statements to assess our financial condition and maintain our indebtedness at a reasonable level.

Indebtedness

We have, since December 31, 2020, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. See "— Recent Developments." We continue to evaluate our financing requirements and monitor our capital and indebtedness levels and may from time to time retire or refinance some of our existing indebtedness through opportunistic repurchases, tender offers or otherwise, depending on market conditions.

Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated.

	As of December 31,			
	2018	2019	2020	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions) (unaudited)
Borrowings included in non-current liabilities:				
Senior Notes	36,763.3	52,755.1	58,650.8	8,988.6
Bank borrowings — secured	34,902.8	17,243.7	18,433.0	2,825.0
Bank borrowings — unsecured	6,510.0	2,344.0	6,901.9	1,057.8
Other borrowings — secured	12,408.0	9,692.8	8,314.7	1,274.3
Other borrowings — unsecured	1,216.2	2,568.1	6,101.3	935.0
Loans from associates	—	—	—	—
Convertible bonds	—	699.9	—	—
	91,800.3	85,303.6	98,401.7	15,080.7
Borrowings included in current liabilities:				
Convertible Bonds	—	—	663.4	101.7
Senior Notes	2,963.5	3,663.7	9,673.2	1,482.5
Bank borrowings — secured	2,894.0	19,263.7	2,550.0	390.8
Bank borrowings — unsecured	1,629.4	1,167.3	3,687.3	565.1
Other borrowings — secured	4,490.6	6,492.3	1,934.2	296.4
Other borrowings — unsecured	3,638.9	1,191.2	4,452.5	682.4
Loans from a related company	108.8	108.8	108.8	16.6
Loans from associates	1,240.5	5.0	—	—
	16,965.7	31,892.0	23,069.2	3,535.5
	108,766.0	117,195.6	121,470.9	18,616.2

Our total borrowings amounted to RMB108,766.0 million, RMB117,195.6 million and RMB121,471.0 million (US$18,616.2 million), respectively, as of December 31, 2018, 2019 and 2020. The increase in our total borrowings was primarily due to additional funds needed for our acquisition of land reserves for future development (excluding payments for land premiums) and financing new development projects. We used the proceeds from these borrowings to finance our property development and for corporate and working capital purposes. As of December 31, 2018, 2019 and 2020, the effective interest rate was approximately 7.3%, 7.0% and 6.5%, respectively, for our bank borrowings included in non-current liabilities and approximately 7.2%, 6.6% and 7.2%, respectively, for our bank borrowings included in current liabilities. Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations.

Our borrowings as of December 31, 2020 were denominated in Renminbi, except for bank and other borrowings with aggregate amounts of RMB73,447.8 million denominated in U.S. dollars and Hong Kong dollars.

The table below sets forth the maturity profiles of our borrowings as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions)
Within one year	16,965.7	31,892.0	23,069.2	3,535.5
Between one and two years	34,502.6	26,068.5	39,364.0	6,032.8
Between two and five years	33,019.1	56,869.6	54,622.3	8,371.2
Over five years	24,278.6	2,365.5	4,415.5	676.7
Total	108,766.0	117,195.6	121,471.0	18,616.2

Commercial banks in China typically require guarantees or security interests for our borrowings. As of December 31, 2018, 2019 and 2020, certain of our outstanding bank and other borrowings were secured by property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and/or certain shares of our subsidiaries owned by us.

Our bank borrowings are primarily used for our property developments. When applying the bank loans to finance a project, we refer to our property development schedule for the project to determine the maturity date of such loans. In 2018, 2019 and 2020, most of our property developments were residential projects that were completed or expected to be completed within two and a half years.

As of December 31, 2020, approximately RMB19,386.3 million (US$2,971.1 million) of our Trust Financing Loans was outstanding. See "Description of Material Indebtedness and Other Obligations — Trust Financing Loans."

Debt Restructuring

On July 21, 2016, our Debt Restructuring was effected whereby our 2012 Notes, January 2013 Notes, March 2013 Notes, April 2013 Notes, 2014 Notes, Convertible Bonds and Original Offshore Facilities were exchanged for the Series A-E Senior Notes, the Mandatorily Exchangeable Bonds and the CVRs. See "Description of Material Indebtedness and Other Obligations — Debt Restructuring" for details.

On June 30, 2017, the Company completed an exchange offer (the "Exchange Offer") pursuant to which the Senior Notes Series A-E were exchanged for the 2020 Notes, the 2021 Noes, the 2022 Notes and the 2024 Notes.

US$2,657,937,000 of the Senior Notes Series A-E, representing approximately 93.08% of the total aggregate principal amounts of the outstanding Senior Notes Series A-E, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. All remaining Senior Notes Series A-E have been redeemed on August 3, 2017. Up to December 31, 2017, the Company issued additional Senior Notes that form a single series with the corresponding Senior Notes issued in the Exchange Offer.

On June 30, 2017, the Company issued convertible bonds of approximately US$265.9 million in exchange for the then principal amount of the Mandatorily Exchangeable Bonds in accordance with the terms of the Mandatorily Exchangeable Bonds. During the period from July 2017 to October 2017, convertible bonds of approximately US$265.2 million have been converted into ordinary shares of the Company and the Company has redeemed in aggregate of approximately US$0.7 million convertible bonds in August 2017 and November 2017.

Gearing ratio

We monitor capital on the basis of the gearing ratio. Our gearing ratio equals net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statements of financial position) less cash and cash equivalents, bank deposits and restricted cash. As of December 31, 2018, 2019 and 2020, our gearing ratio was 236.2%, 144.0% and 94.5%, respectively.

Current ratio

Our current ratio is calculated as current assets divided by current liabilities. As of December 31, 2018, 2019 and 2020, our current ratio was 1.7, 1.5 and 1.8, respectively.

Financial Guarantees

We typically arrange for various banks to provide mortgage loans to the purchasers of our properties who require mortgage loans. In accordance with market practice, we make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. Furthermore, we are required to provide guarantees to these banks in respect of mortgages offered to our customers. Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, and we would be entitled to assume legal title to and possession of the related property. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property and the completion of the registration of the mortgage, which is generally available within six months to one year after the purchaser takes possession of the relevant property. If a purchaser defaults on the mortgage payment, we may be required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee bank may auction the underlying property under the relevant PRC laws and regulations and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit evaluations on our customers but rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2018, 2019 and 2020, the outstanding guarantees for mortgage loans of the purchasers of our properties were RMB30,587.4 million, RMB32,816.5 million and RMB27,272.6 million (US$4,179.7 million), respectively. The fluctuations of our financial guarantees were in line with the fluctuations of our pre-sales and sales activities and were also affected by the timing of our property delivery.

Off-Balance Sheet Commitments and Arrangements

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

Market Risks

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and the inflation rate.

Interest rate risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. Our interest rate risk primarily arises from the floating interest rate of domestic bank loans.

An increase in interest rates may also adversely affect prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue and profits. PBOC benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2018, 2019 and 2020, were 4.35%, 4.35% and 3.85%. We cannot assure you that PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk. However, our management will consider hedging significant interest rate exposure should the need arise.

Commodities risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. Accordingly, rising prices for construction materials will affect our construction costs in the forms of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

Foreign exchange risk

We are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities such as cash and cash equivalents and loans which are denominated in a currency that is not Renminbi. Our functional currency is Renminbi, so bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the our results of operations. Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency denominated debts.

Because Renminbi is not freely convertible, our ability to reduce the foreign exchange risk is limited. You should refer to "Risk Factors — Risks Relating to China — Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations" for additional risk disclosure. We do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate is represented by the general consumer price index. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase.

Non-GAAP Financial Measures

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

- changes in fair value of investment properties;
- changes in fair value of financial derivatives;
- net finance cost (excluding net exchange gains/losses);
- capitalized interest charged to cost of sales;
- income tax expense;
- depreciation of property, plant and equipment and right-of-use assets;
- amortization of intangible assets;
- amortization of land use rights;
- share-based payments;
- write down of completed properties held for sale and provisions for properties under development.
- write off of intangible assets
- write off of trade and other receivables
- net gain on repurchase of senior notes
- net fair value change on financial assets at fair value through profit or loss
- waiver of other payables
- net exchange gains/losses
- impairment loss on intangible assets
- impairment loss on interest in an associate
- loss on derecognition of interest in an associate
- provision for expected credit loss
- gain/(loss) on disposal of financial assets at fair value through profit or loss ("FVTPL")
- loss on disposal of investment properties
- loss on disposal of deposits for land acquisitions
- loss on disposal of property, plant and equipment

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

We operate in a capital intensive industry. We use EBITDA in addition to profit or loss for the year because profit or loss for the year includes many accounting items, for example, those associated with write down of completed properties held for sale and provisions for properties under development, capital expenditures, depreciation of property, plant and equipment, amortization of intangible assets, amortization of land use rights, change in fair value of investment properties and financial derivatives, net fair value gain/loss on financial assets at FVTPL, net gain on repurchase of senior notes, net finance costs (excluding net exchange gains/losses), net exchange gains/losses, impairment loss on intangible assets, write off of intangible assets, write off of trade and other receivables, waiver of other payables, impairment loss on interest in an associate, loss on derecognition of interest in an associate, provision for expected credit loss, gain on disposal of financial assets at FVTPL, loss on disposal of investment properties, loss on disposal of deposits for land acquisitions and (gain)/loss on disposal of property, plant and equipment. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, land use rights amortization, change in fair value of investment properties and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

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

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Profit for the year	3,294,256	4,164,008	5,278,381	808,947
Adjustments:				
Expected credit loss	529,332	478,070	876,453	134,322
Fair value gain on investment properties	(212,374)	(178,419)	(189,433)	(29,032)
Fair value loss/(gain) on financial derivatives	—	82,191	(52,838)	(8,098)
Net fair value (gain)/loss on financial assets at FVTPL	271,276	(1,380,931)	307,182	47,078
Net (gain)/loss on repurchase of senior notes	(142,745)	(178,438)	5,403	828
Net finance cost (excluding net exchange gains/losses)	646,516	218,505	1,818,015	278,623
Capitalized interest charged to cost of sales	3,591,022	4,830,815	5,456,851	836,299
Impairment loss on interest in an associate	658,685	—	—	—
Impairment loss on goodwill	—	203,931	—	—
Loss on derecognition of interest in an associate	—	252,016	—	—
Impairment loss on intangible assets	—	473,361	—	—
Income tax expense	4,477,629	5,303,595	5,223,975	800,609
Loss on disposal of investment properties	7,102	193,825	—	—
Loss on disposal of deposits for land acquisition	—	40,753	—	—
Loss on disposal of property, plant and equipment	1,463	17,987	6,768	1,037
Depreciation of property, plant and equipment	199,670	189,691	196,087	30,052
Depreciation of right-of-use assets	—	182,881	131,877	20,211
Amortization of intangible assets	178,328	342,890	319,155	48,913
Amortization of land use rights	25,788	18,158	20,367	3,121
Share-based payments	260,612	139,961	112,995	17,317
Waiver of other payables	(406,326)	—	—	—
Write off of intangible assets	7,654	22,230	—	—
Write off of trade and other receivables	—	275,251	476,510	73,028
Write-down of completed properties held for sale and provisions for properties under development	220,178	367,737	2,578,917	395,236
Net exchange (gains)/losses	1,524,271	816,497	(4,670,815)	(715,834)
EBITDA	15,132,337	16,876,565	17,895,850	2,742,659
EBITDA margin	39.1%	35.1%	32.1%	32.1%

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit or loss for the year or as an indicator of operating performance or any other standard measure under HKFRS. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

The information in the section below has been derived, in part, from various government publications and third party professional databases unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our and their respective affiliates or advisors. The information may be incomplete, out-of-date or inconsistent with other information compiled within or outside China.

The PRC Real Estate Industry

Urbanization

From 2004 to 2018, according to the CEIC Data Company Ltd, China's urbanization rate (i.e., the proportion of population residing in urban areas) increased from 41.8% to 59.6%, and the urban population increased from 543 million to 831 million during the same period, representing a CAGR of 3.1%.

The following table sets forth China's urbanization rate for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2004–2018 CAGR
Urban population (in millions)	543	562	583	606	624	645	670	691	712	731	749	771	793	813	831	3.1%
Total population (in millions)	1,300	1,308	1,314	1,321	1,328	1,335	1,341	1,347	1,354	1,361	1,368	1,375	1,383	1,390	1,395	0.5%
Urbanization rate (%)	41.8	43.0	44.3	45.9	47.0	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.3	58.5	59.6	2.6%
Per capita disposable income for urban households (RMB)	9,422	10,493	11,759	13,786	15,781	17,175	19,109	21,810	24,565	26,955	28,844	31,195	33,616	36,396	39,251	10.7%

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

Commodity Property Sales

The continuous upward trend in the China real estate industry is backed by rising prices and strong demand. According to CEIC Data Company Ltd, a total GFA of 935.5 million sq.m. was completed in the PRC in 2018.

The table below sets forth certain information on the major supply and demand indicators for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investment in Real Estate (RMB in billions)	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	6,179.7	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	10,979.9	12,026.4
Total GFA completed (mm sq.m.)	424.6	534.2	558.3	606.1	665.4	726.8	787.4	926.2	994.2	1,014.3	1,074.6	1,000.4	1,061.3	1,014.9	935.5
Total GFA sold (mm sq.m.)	382.3	554.9	618.6	773.5	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	1,694.1	1,716.5
Residential GDA Sold (mm sq.m.)	338.2	495.9	554.2	701.4	592.8	861.8	933.8	965.3	984.7	1,157.2	1,051.9	1,124.1	1,375.4	1,447.9	1,479.3
Average price of properties (RMB/sq.m.)	2,778.0	3,167.7	3,366.8	3,863.9	3,800.0	4,681.0	5,032.0	5,357.1	5,791.0	6,237.0	6,324.0	6,793.0	7,476.0	7,892.0	8,736.9
Average price of residential (RMB/sq.m.)	2,608.0	2,937.0	3,119.3	3,645.2	3,576.0	4,459.0	4,725.0	4,993.2	5,429.9	5,850.0	5,933.0	6,473.0	7,203.0	7,614.0	8,544.0

Source: CEIC Data Company Ltd

Prices for real estate in China also increased from 2004 to 2018. According to CEIC Data Company Ltd, the average price per sq.m. of properties increased from RMB2,778.0 per sq.m. in 2004 to RMB8,736.9 per sq.m. in 2018.

The Real Estate Market in Guangdong Province

The real GDP growth rate of Guangdong Province exceeded the national growth rate in each of the past ten years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics for Guangdong Province for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	1,603.9	2,170.1	2,596.9	3,067.4	3,569.6	3,908.1	4,547.3	5,267.4	5,706.8	6,216.4	6,779.2	7,281.3	8,085.5	8,970.5	9,727.8
Real GDP growth rate (%)	14.2	12.5	14.1	14.5	10.1	9.5	12.2	10.0	8.2	8.5	7.8	8.0	7.5	7.5	6.8
Per capita GDP (RMB)	20,876	24,647	28,077	32,713	37,588	40,748	44,736	50,807	54,095	58,540	63,452	67,503	74,016	80,932	86,412
Per capita disposable income for urban households (RMB)	13,628	14,770	16,016	17,699	19,733	21,575	23,898	26,897	30,227	33,090	32,148	34,757	37,684	40,975	44,341

Source: CEIC Data Company Ltd

The Real Estate Market in Greater Shenzhen

Shenzhen

Shenzhen's GDP reached approximately RMB2,422.2 billion in 2018. In 2018, Shenzhen's per capita GDP was RMB189,568. The table below sets out selected economic statistics for Shenzhen for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	342.3	492.7	568.4	676.5	780.7	820.1	951.1	1,150.2	1,295.0	1,450.0	1,600.2	1,750.3	1,949.3	2,243.8	2,422.2
Real GDP growth rate (%)	17.3	15.0	15.0	14.7	12.1	10.7	12.0	10.0	10.0	10.5	8.8	8.9	9.0	8.8	7.6
Per capita GDP (RMB)	59,271	60,507	67,907	79,221	89,814	92,771	94,297	110,387	123,247	136,947	149,497	157,985	167,411	183,127	189,568
Per capita disposable income for urban households (RMB)	27,596	21,494	22,567	24,870	26,729	29,245	32,381	36,505	40,742	44,653	40,948	44,633	48,695	52,938	57,544

Source: CEIC Data Company Ltd

According to CEIC Data Company Limited, a total GFA of approximately 7.2 billion sq.m. was sold in Shenzhen in 2018. Building sales increased 114.3% from RMB131.7 billion in 2014 to approximately RMB321.7 billion in 2017.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	6.9	6.4	8.5	6.4	6.3	4.0	3.4	3.4	4.3	3.5	4.3	3.6	4.9	2.9	2.6
GFA sold (sq.m. in millions)	3.8	11.2	7.5	5.6	4.7	7.6	4.7	5.0	5.3	5.9	5.3	8.3	7.4	6.7	7.2
Average price of residential properties (RMB/sq.m.)	6,385	6,996	8,848	13,370	12,823	14,389	18,954	21,037	18,996	23,427	24,040	33,661	45,498	48,622	55,441
Revenue (RMB in millions)	25,788	85,135	70,303	77,991	59,109	111,388	89,255	106,087	103,009	143,625	131,667	282,214	332,360	321,665	390,842

Source: CEIC Data Company Ltd

Dongguan

Dongguan's GDP reached approximately RMB827.9 billion in 2018, representing a per capita GDP of approximately RMB98,939. The table below sets out selected economic statistics for Dongguan for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	115.5	218.2	262.5	315.1	370.3	376.3	424.6	473.5	501.0	549.0	588.1	627.5	682.8	758.2	827.9
Real GDP growth rate (%)	19.6	19.3	19.0	18.1	14.0	5.3	10.3	8.0	6.1	9.8	7.8	8.0	8.1	8.1	7.4
Per capita GDP (RMB)	27,554	33,287	39,173	46,014	53,285	56,591	52,798	57,470	60,556	66,109	70,604	75,616	82,682	91,329	98,939
Per capita disposable income for urban households (RMB)	20,526	22,882	25,320	27,025	30,275	33,045	36,350	39,513	42,944	46,594	36,764	39,793	43,096	45,451	50,721

Source: CEIC Data Company Ltd

According to the Statistics Bureau of Guangdong Province and the Statistics Bureau of Dongguan, a total GFA of approximately 5.1 million sq.m. was sold in Dongguan in 2018, as compared to a total GFA of approximately 10.8 million sq.m. sold in 2015. Building sales decreased by 15.8% from RMB107.6 billion in 2015 to approximately RMB90.6 billion in 2018.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	1.4	1.2	1.7	1.4	1.0	1.9	3.0	2.4	3.6	2.6	2.6	3.3	2.3	4.7	3.8
GFA sold (sq.m. in millions)	1.6	3.2	3.8	5.7	5.1	6.0	5.1	6.0	6.4	8.0	6.7	10.8	8.9	5.6	5.1
Average price of residential properties (RMB/sq.m.)	3,297	3,671	4,138	5,058	5,412	5,775	7,111	7,645	8,486	9,066	9,685	9,992	13,763	16,550	17,876
Revenue (RMB in millions)	5,920	11,940	15,888	29,499	28,370	35,317	37,377	45,961	54,238	72,807	64,413	107,612	122,179	128,194	123,538

Sources: Statistics Bureau of Guangdong Province, Dongguan Bureau of Statistics and CEIC Data Company Ltd

Huizhou

Huizhou's GDP reached approximately RMB410.3 billion in 2018, and it had a per capita GDP of approximately RMB85,418. The table below sets out selected economic statistics for Huizhou for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP	68.5	80.4	93.3	110.5	129.0	141.5	173.0	209.7	236.8	267.8	300.1	314.0	341.2	383.1	410.3
Real GDP growth rate	15.1	15.8	16.3	17.4	11.5	13.2	18.0	14.6	12.6	13.6	10.0	9.0	8.2	7.6	6.0
Per capita GDP	23,642	21,911	24,996	28,945	33,077	35,819	38,650	45,331	50,884	57,144	63,665	66,231	71,605	80,205	85,418
Per capita disposable income for urban households (RMB)	13,822	14,884	15,991	17,310	19,481	21,278	23,565	26,609	29,965	32,992	22,902	25,220	33,213	36,608	39,574

Sources: CEIC Data Company Ltd and Huizhou statistical

According to the CEIC Data Company Ltd., a total GFA of approximately 16.6 million sq.m. was sold in Huizhou in 2018, which represented an increase of approximately 27.7% from 2015. Building sales rose by 122.2%, from approximately RMB80.0 billion in 2015 to approximately RMB177.8 billion in 2018.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	0.9	1.3	1.5	2.1	2.4	5.5	5.6	5.0	5.1	6.3	7.6	4.5	5.6	10.4	5.0
GFA sold (sq.m. in millions)	1.0	1.4	2.3	3.9	3.0	5.4	6.3	8.0	8.3	11.5	9.8	13.0	17.7	16.4	16.6
Average price of residential properties (RMB/sq.m.)	2,076	2,226	2,840	3,771	3,930	4,111	4,817	5,480	N/A	N/A	N/A	N/A	7,865	9,959	N/A
Revenue (RMB in millions)	2,288	3,552	6,671	15,620	12,194	23,201	31,117	44,177	47,840	67,210	58,880	80,038	141,500	162,858	177,841

Note:

(1) N/A represents not available or not applicable, as the case may be

Sources: Statistics Bureau of Guangdong Province and CEIC Data Company Ltd

The Real Estate Market in Guangzhou

In 2018, Guangzhou's nominal GDP reached approximately RMB2,285.9 billion, while real GDP grew approximately 6.2% in 2018.

The table below sets forth selected economic statistics for Guangzhou for the years indicated:

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	411.6	511.6	606.8	705.1	821.6	911.3	1,030.5	1,230.3	1,355.1	1,542.0	1,670.7	1,810.1	1,961.1	2,150.3	2,285.9
Real GDP growth rate (%)	15.0	13.0	14.7	14.5	12.3	11.5	13.0	11.0	10.5	11.6	8.6	8.4	8.2	7.0	6.2
Per capita GDP (RMB)	45,906	53,809	62,495	69,673	76,440	79,383	87,458	97,588	105,909	121,584	129,938	137,793	143,638	150,678	155,491
Per capita disposable income for urban households (RMB)	16,884	18,287	19,851	22,469	25,317	27,610	30,658	34,438	38,054	42,049	42,955	46,735	50,941	55,401	59,982

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

According to CEIC Data Company Limited, the total GFA of completed properties in 2018 in Guangzhou was approximately 15.2 million. The average selling price per sq.m. of residential properties in Guangzhou in 2017 was approximately RMB17,685, representing an increase of approximately 20.0% from 2014. The table below sets out key statistics relating to the real estate market in Guangzhou for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	10.1	8.3	9.9	8.8	9.4	9.6	10.9	12.6	12.9	11.4	19.2	15.1	12.0	15.0	15.2
GFA sold (sq.m. in millions)	8.7	7.5	13.2	14.7	10.8	13.8	14.1	11.9	13.3	17.0	15.4	16.5	19.5	17.6	N/A
Average price of residential properties (RMB/sq.m.)	4,356	5,041	6,152	8,439	8,781	8,988	10,615	10,926	12,001	13,954	14,739	14,083	16,346	17,685	N/A
Revenue (RMB in millions)	39,593	37,775	86,195	117,202	93,507	128,615	167,506	144,526	175,476	260,607	242,076	241,547	N/A	N/A	N/A

Note:

(1) N/A represents not available or not applicable, as the case may be

Source: CEIC Data Company Limited

The Real Estate Market in Zhuhai

Zhuhai's GDP reached approximately RMB291.5 billion in 2018. The table below sets out selected economic statistics for Zhuhai for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	54.7	63.5	75.0	88.7	99.2	103.8	120.3	140.3	150.4	166.2	185.7	202.5	222.6	256.5	291.5
Real GDP growth rate (%)	13.8	13.1	16.1	16.5	9.0	6.6	12.8	11.3	7.0	10.5	10.3	10.0	8.5	9.2	8.0
Per capita GDP (RMB)	40,311	45,258	52,317	61,071	67,591	68,042	77,889	89,793	95,471	104,800	115,900	124,700	134,548	149,100	159,400
Per capita disposable income for urban households (RMB)	18,347	18,908	17,671	19,201	20,949	22,859	25,382	28,731	32,978	36,375	33,235	36,158	42,573	46,826	50,713

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd., the total GFA of completed properties in 2018 in Zhuhai was approximately 2.7 million sq.m., which represented an increase of approximately 36.2% from 2015.

The Real Estate Market in Sichuan Province

The Real Estate Market in Chengdu

Chengdu's GDP reached approximately RMB1,534.3 billion in 2018, representing a per capita GDP of approximately RMB94,782. The table below sets out selected economic statistics for Chengdu for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	218.6	237.1	275.0	332.4	390.1	450.3	555.1	685.5	813.9	910.9	1,005.7	1,080.1	1,217.0	1,388.9	1,534.3
Real GDP growth rate (%)	13.6	13.5	13.8	15.3	12.1	14.7	15.0	15.2	13.0	10.2	8.9	7.9	7.7	8.1	8.0
Per capita GDP (RMB)	20,777	19,627	25,171	26,527	30,855	35,215	48,510	48,755	57,624	63,977	70,019	74,273	76,960	86,911	94,782
Per capita disposable income for urban households (RMB)	10,394	11,359	12,789	14,849	16,943	18,659	20,835	23,932	27,194	29,968	32,665	33,476	35,902	38,918	42,128

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

The Real Estate Market in Hunan Province

The Real Estate Market in Changsha

Changsha's GDP reached approximately RMB1,100.3 billion in 2018. The table below sets out selected economic statistics for Changsha for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	110.9	152.0	179.1	219.0	300.1	374.5	454.7	561.9	640.0	715.3	782.5	851.0	932.4	1,053.6	1,100.3
Real GDP growth rate (%)	14.8	14.9	14.8	16.0	15.1	14.7	15.5	14.5	13.0	12.0	10.5	9.9	9.4	9.0	8.5
Per capita GDP (RMB)	17,638	23,968	27,853	33,711	45,765	56,620	66,443	79,530	89,903	99,570	107,683	115,443	123,681	135,388	134,933
Per capita disposable income for urban households (RMB)	11,021	12,434	13,924	16,153	18,282	20,238	22,814	26,451	30,288	33,662	36,826	39,961	43,294	46,948	50,792

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

The Real Estate Market in Shanghai

Shanghai's GDP reached approximately RMB3,268.0 billion in 2018, representing a per capita GDP of approximately RMB134,982. The table below sets out selected economic statistics for Shanghai for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	745.0	914.4	1,029.7	1,200.1	1,369.8	1,490.1	1,687.2	1,919.6	2,010.1	2,160.2	2,356.1	2,496.5	2,817.9	3,063.3	3,268.0
Real GDP growth rate (%)	13.6	11.1	12.0	13.3	9.7	8.2	9.9	8.2	7.5	7.7	7.0	6.9	6.9	6.9	6.6
Per capita GDP (RMB)	44,839	49,649	54,858	62,041	66,932	69,164	76,075	82,560	85,373	90,100	97,300	103,100	116,562	126,634	134,982
Per capita disposable income for urban households (RMB)	16,683	18,645	20,668	23,623	26,675	28,838	31,838	36,230	40,188	43,851	47,710	52,962	57,692	62,596	68,034

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

The Real Estate Market in Liaoning Province

The Real Estate Market in Shenyang

Shenyang's GDP reached approximately RMB629.2 billion in 2018, representing a per capita GDP of approximately RMB75,766. The table below sets out selected economic statistics for Shenyang for the periods indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	190.1	208.4	248.3	307.4	386.0	435.9	501.7	591.5	660.7	715.9	709.9	728.1	546.0	586.5	629.2
Real GDP growth rate (%)	15.5	16.0	16.5	17.7	16.3	14.1	14.1	12.3	10.0	8.8	6.0	3.5	-5.8	3.5	5.4
Per capita GDP (RMB)	24,156	28,241	33,798	43,499	54,106	55,816	63,667	72,637	80,532	86,850	85,816	87,833	65,851	70,722	75,766
Per capita disposable income for urban households (RMB)	8,924	10,098	11,651	14,607	17,295	18,560	20,541	23,326	26,431	29,074	31,720	36,643	39,135	41,359	44,054

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

Macroeconomic Conditions in Yingkou

Yingkou's GDP reached approximately RMB175.1 billion in 2018. The table below sets out selected economic statistics for Yingkou for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	31.8	38.1	45.8	56.9	70.4	80.0	100.2	122.3	138.1	151.3	159.1	151.4	118.9	128.8	134.7
Real GDP growth rate (%)	21.2	20.6	18.9	21.0	20.3	20.3	17.8	13.9	10.8	9.6	6.5	4.5	-7.5	5.0	5.9
Per capita GDP (RMB)	13,867	16,546	19,831	24,543	30,177	34,104	42,604	50,220	56,591	61,937	65,075	61,925	48,713	52,821	55,295
Per capita disposable income for urban households (RMB)	8,128	9,009	10,135	12,143	14,352	15,858	18,055	20,894	23,986	26,600	28,222	30,458	32,318	34,419	37,035

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

Macroeconomic Conditions in Anshan

Anshan's GDP reached approximately RMB175.1 billion in 2018. The table below sets out selected economic statistics for Anshan for the years indicated.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB in billions)	100.6	101.8	113.6	135.0	160.8	181.0	212.5	242.0	262.9	262.3	238.6	234.9	144.1	160.2	175.1
Real GDP growth rate (%)	16.1	16.2	15.6	16.3	16.6	17.2	16.0	12.0	9.6	8.9	6.0	3.0	-10.8	3.5	5.2
Per capita GDP (RMB)	29,065	29,338	32,644	38,387	45,830	51,469	58,426	68,818	74,901	74,940	68,369	67,675	40,532	44,790	N/A
Per capita disposable income for urban households (RMB)	8,262	9,463	10,761	12,857	15,074	16,530	18,423	21,297	24,194	26,662	27,846	29,943	31,443	33,320	35,619

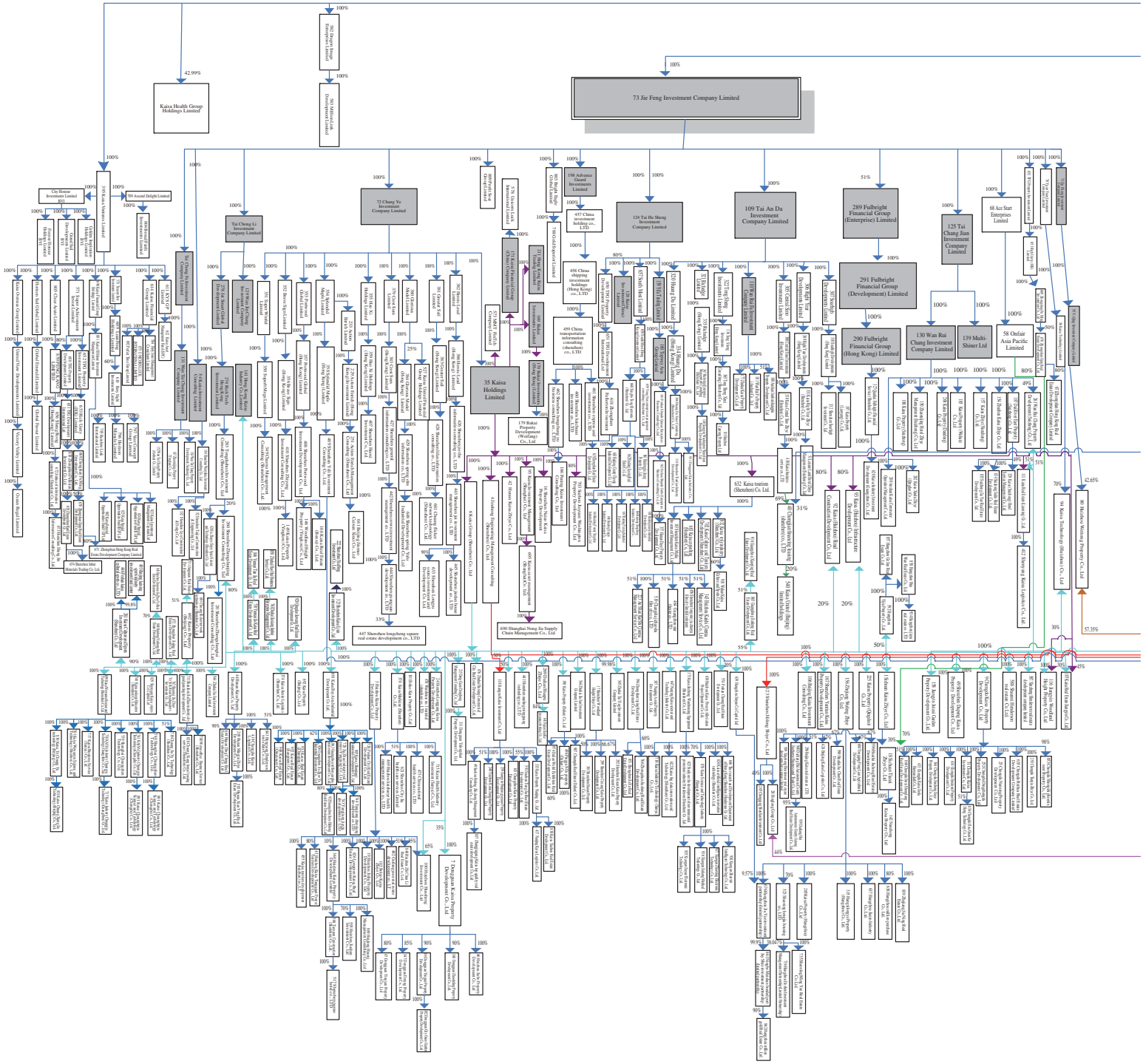
Note:

(1) N/A represents not available or not applicable, as the case may be

Sources: CEIC Data Company Ltd and National Bureau of Statistics of China

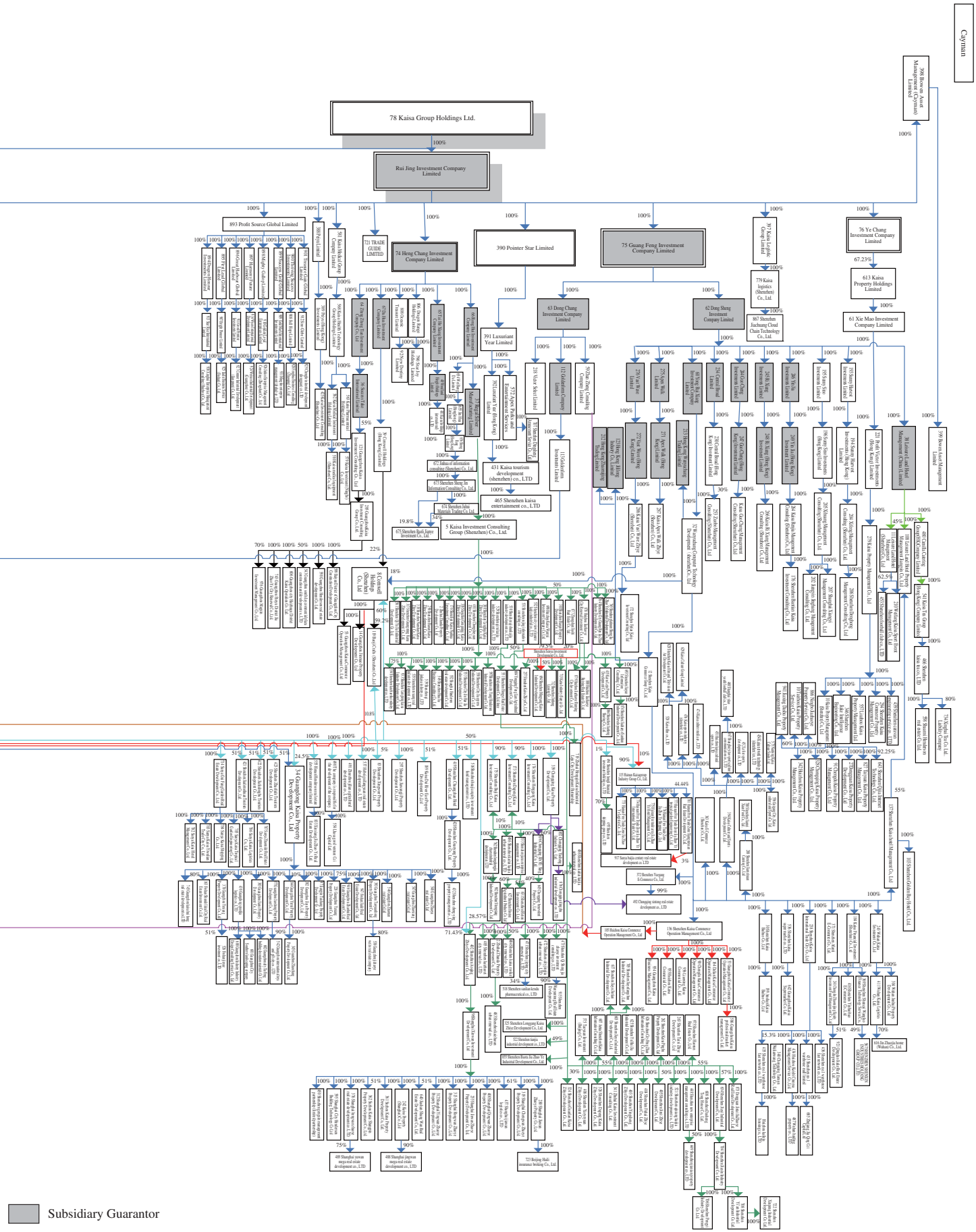
CORPORATE STRUCTURE

The following chart shows our corporate structure as of the date of this offering memorandum[(1)]:



Note

(1): This structure chart of the Company omits certain immaterial subsidiaries of the Company.


Cayman
78 Kaisa Group Holdings Ltd.
Rui Jing Investment Company Limited
74 Heng Chang Investment Company Limited
390 Pointer Star Limited
75 Guang Feng Investment Company Limited
63 Dong Chang Investment Company Limited
62 Dong Sheng Investment Company Limited
61 Xie Miao Investment Company Limited
76 Ye Chang Investment Company Limited
391 Luxuriant Year Limited
721 TRADE GUIDE LIMITED
893 Profit Source Global Limited
397 Kaisa Logistic Group Limited
779 Kaisa logistics (Shenzhen) Co., Ltd.
867 Shenzhen Jiachuang Cloud Chain Technology Co., Ltd.
613 Kaisa Property Holdings Limited
398 Brown (Asset Management) Limited
199 Bowen Asset Management Limited
5 Kaisa Investment Consulting Group (Shenzhen) Co., Ltd.
431 Kaisa tourism development (shenzhen) co., LTD
465 Shenzhen kaisa entertainment co., LTD
4 Crystal Holdings (Shenzhen) Co., Ltd.
34 Guangdong Kaisa Property Development Co., Ltd
Subsidiary Guarantor

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 28.8 million sq.m. GFA in 51 cities across five regions. According to China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 24th among Chinese property developers nationwide in terms of attributable contracted sales. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Foshan, Guangzhou, Huizhou, Dongguan, Zhongshan, Zhuhai, Yangjiang and Qingyuan. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including the Yangtze River Delta region, the Western China region, the Central China region and the Pan-Bohai Bay Rim.

As of December 31, 2020, we had a total of 217 property development projects, including completed properties, properties under development and properties for future development, in 51 cities in China. As of December 31, 2020, we had completed properties with a total GFA of approximately 31.7 million sq.m., and had a land bank with an estimated total GFA of approximately 28.8 million sq.m., including completed properties held for sale with a total GFA of approximately 1.8 million sq.m., properties under development with an estimated total GFA of approximately 16.4 million sq.m. and properties for future development with an estimated total GFA of approximately 10.7 million sq.m.

We focus primarily on development of the following:

- Residential properties. Our large-scale residential properties are generally located in suburban areas with access to public transport and other urban facilities in selected cities in China. These properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. The principal target customers for our residential properties are middle to upper-middle income households. We often develop our residential properties in a number of phases. We believe our multi-phased approach has enabled us to manage our capital resources efficiently and has increased our returns through the higher average selling prices which we expect to achieve at subsequent development phases.
- Commercial properties. Our integrated commercial properties are generally located in central business districts in selected cities in China. Our other commercial projects are expected to consist of a mixture of office buildings and retail spaces.

Our revenue was RMB38,705.0 million, RMB48,021.7 million and RMB55,770.2 million (US$8,547.2 million) in 2018, 2019 and 2020, respectively.

We have historically contracted out construction works of all our development projects to construction contractors, and intend to continue to outsource substantially all of our construction works. We cooperate with Centaline and World Union to jointly promote our developed properties in different regional markets in China. Going forward, we will continue to improve the management of our sales through our dedicated sales team and intend to continue to engage professional property sales agencies to provide marketing and sales services for our properties in China.

We intend to continue to focus on developing residential and commercial properties in the Pearl River Delta region and further diversify geographically through expansion into other promising markets in China. In addition to our focus on residential and commercial development projects, we also aim to increase our investment properties and consequentially our rental income. We intend to retain certain of our commercial properties for long-term investment purposes. In managing our investment property portfolio, we will take into account the estimated long-term growth potential, overall market conditions and our cash flows and financial conditions.

Our Competitive Strengths

We believe we have the following competitive strengths:

Market leadership in the Pearl River Delta region with a national footprint

We are a leading property developer in the Pearl River Delta region and have an increasing presence in other select strategic cities with high economic growth potential in China.

We are well-recognized in the Pearl River Delta region with a proven track record of successfully bringing to market reputable residential properties. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including the Yangtze River Delta region, the Western China region, the Central China region and the Pan-Bohai Bay Rim. According to "Top 200 Real Estate Enterprise Property Developers by Sales in 2020" jointly compiled and issued by China Real Estate Information Corporation and China Real Estate Appraisal Center, we were ranked 24th nationwide in terms of attributable contracted sales.

We believe that "Kaisa" evokes our high standard of industry practice and that the market recognition of "Kaisa" is further supplemented by our award winning property management services for properties we developed. We customize services to meet the particular needs and requirements of the community and focus particularly on maintaining customer satisfaction. We believe that by providing quality property management services, we will be able to improve the appeal of our products to customers and distinguish our products from those of our competitors.

We believe that our well-established position and operating expertise will enable us to successfully capture market share and mass market housing demand nationwide.

Quality land bank acquired at relatively low cost through various channels, including redevelopment

Our land acquisition team adopts a coordinated approach during the land acquisition process. We believe our insight into development trends in our target regions has enabled us to acquire large tracts of land at relatively low cost. We acquired our land reserves at relatively low cost as our reserves consist mostly of parcels of land located in selected cities where, we believe, the value of acquired land had not been fully recognized at the time of acquisition.

We intend to continue to leverage our extensive experience, in-depth local knowledge and business and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies for promoting urbanization and redevelopment announced by the Shenzhen Municipal Government in October 2009.

We also have experience building our land reserves through acquiring and renovating distressed and uncompleted properties. While certain distressed properties present potential for achieving profitability at relatively low cost, this land acquisition approach requires the ability to resolve the numerous problems that rendered the properties distressed, to perform an evaluation and complete the property acquisition on a timely basis, and to devise and execute a comprehensive turn-around solution. Regardless, we have been able to acquire parcels of land by acquiring uncompleted distressed property developments at relatively low cost. We believe that the relatively low cost of our land reserves has enhanced our ability to respond to changing market conditions by adjusting prices while maintaining profitability.

Responsiveness to market trends and prudent financial management

Our knowledge of real estate markets and our understanding of market trends in China enable us to respond effectively to market conditions and changes. Our business model incorporates the key market factors that influence housing growth in China, particularly in the cities and regions where we operate or into which we intend to expand. In selecting sites for our residential developments, we focus on identifying suburban areas with access to road networks, public transport and urban facilities. We conduct in-depth internal market analysis, together with our site research and additional market information provided by third-party sources, which enable us to better assess the risks, costs and potential returns associated with potential sites for development. By being proactive and responsive, we believe that we have been able to utilize our understanding of market fundamentals to guide our land reserve strategy. In addition, we closely monitor our cash flows and financial position with a view to achieving a balanced capital structure. We manage and seek to improve our liquidity profile by taking advantage of capital efficient projects, such as redevelopment of old urban areas, primary land development and joint venture projects with financial investors, and by instituting proactive cost controls and conservative budgeting procedures.

We have also exploited new market opportunities by identifying and acquiring distressed and uncompleted residential and commercial properties in Shenzhen and Guangzhou. We generally develop plans to achieve profitability through an analysis of various factors pertaining to the properties, including their valuation, execution, market repositioning and promotion. With our responsiveness to market conditions and innovative approach, as well as our growing track record

of bringing such properties to market, we believe we have the ability to take advantage of similar market opportunities in the future.

Experienced and long-serving senior management team and continuous recruitment of management talent

Our senior management team members have extensive experience in the PRC real estate industry and expertise in strategic planning and business management. Certain of our core management members, including our founder and Chairman, Mr. Kwok Ying Shing, have led the growth of our business. To retain management talent and align their interests with those of us, we offer competitive compensation, stock option plans and a cohesive team-based working environment. We believe that our highly experienced senior management members will enable us to maintain the growth of our business. In recent years, we have attracted and hired, through a selective recruitment process, a number of seasoned managers and professionals from the real estate industry in China. We continually seek to attract and retain management talent in accordance with our aim to further expand our business operations.

Our Business Strategies

We aim to continue to grow as a leading property developer with a national presence in key economic regions in China. We have developed the following business strategies to pursue our growth objectives:

Continue to enhance profit margin from urban redevelopments in Shenzhen and the rest of the Pearl River Delta region and achieve further geographical diversification in China

We intend to continue to consolidate our leading market position in Shenzhen and the rest of the Pearl River Delta region. We believe that the Pearl River Delta region will remain one of the most economically dynamic regions in China, and that we will be able to continue to capitalize on the mass market housing demand for residential property as well as other types of property we develop in this region. In particular, we intend to continue to leverage our extensive experience, in-depth local knowledge and business and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies on promoting urbanization and redevelopment announced by the Shenzhen government in October 2009. We also intend to continue to enhance profit margin from urban redevelopment and capture the growth opportunities of the Pearl River Delta region in light of the continuing improvement and expansion of the metro network and successive completion of the inter-city high speed railways.

In addition, we intend to further geographically diversify our revenue portfolio by opportunistically expanding our business operations in first-tier cities and provincial capitals following our successful expansion into several regions across China. We have entered into selected cities beyond the Pearl River Delta region. We plan to pursue further revenue geographical diversification through expansion into other select high-growth areas and major cities in China.

Further enhance asset turnover and cost efficiency through standardized product lines and a scalable business model

We have been focusing on an asset-turnover business model in order to capture the robust housing demand in China. We intend to continue to develop standardized product lines to achieve rapid asset turnover and expand the scale of our development while keeping costs competitive. We have developed certain standardized product lines which we have implemented in cities across China, and we believe that such product lines offer comfortable and convenient community living environments. We believe standardized product lines and development processes will allow us to achieve efficient use of capital and other resources and develop new projects on a timely basis.

We segment the development process into various stages and maintain a systematic approach to manage and control the major steps of our developments, including site selection and land acquisition, detailed project planning and design work, development management and construction, sales and pre-sale, and after-sale services. Our turnover time from land acquisition to pre-sales in many lower-tier cities typically range from six and a half months to nine months. We intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across projects. We believe that by replicating standardized and scalable practices and methodologies in strategically selected cities, we will be able to effectively expand our business and enter into new geographic markets as attractive opportunities arise.

Continue to focus on residential mass market and commercial property development while selectively expanding our land bank and diversify our business

We will continue to focus on residential mass market and commercial property developments. We intend to continue to develop mixed-use and multifunctional complexes comprising high-end office space, hotels, shopping centers, entertainment facilities and restaurants. We believe demand for office buildings, retail space and other types of commercial properties will continue to increase as commercial activities grow in China. We seek to achieve and maintain a balanced development structure by further diversifying into commercial property markets, while continuing to develop residential properties, particularly in the mass market housing segment.

We intend to increase our holdings of the commercial properties which we develop for long-term investment purposes so as to enhance the overall value of our property portfolio and to increase the proportion of recurring rental income. The commercial properties we intend to develop and retain include office space, retail space and hotels. We intend to enter into tenancy agreements with reputable international and local tenants to secure recurring rental income. We believe the diversification of our property portfolio will reduce our reliance on one particular sector of the market.

We will continue to selectively expand our land reserves for new property developments in order to sustain our continued growth and to execute our business expansion plan. We will continue to acquire land through acquisitions of controlling equity interests in parties that hold land use rights. In addition to building our land reserves through the public tender, auction and listing-for-sale process, we intend to take advantage of our experience in revamping distressed properties and continue to acquire distressed properties with good development potential. Furthermore, we intend to continue to participate in the redevelopment projects for old urban areas and villages in Shenzhen and other cities with high growth potential in Pearl River Delta to gain access to land that is suited for our property development plans.

We are actively seeking to diversify our business. For example, in November 2016, we acquired 21.7% equity interest in Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited), a Hong Kong Stock Exchange listed company engaging in supply of dental equipment and consumables, and became its largest shareholder. In 2017, we further increased our equity interest in Kaisa Health Group Holdings Limited to 41.24% through its rights issue. We intend to further promote our brand name and increase our overall competitiveness through such diversification. We also continue to evaluate our business model and strive to optimize our business portfolio, have further restructured our property management business through a spin-off. See "— Property Management".

Further enhance our brand recognition

We intend to enhance the brand awareness of "Kaisa" not only in the Pearl River Delta region, but in other selected cities and regions in China. We intend to continue to promote our brand, "Kaisa," by focusing on product quality, site planning, layout and architectural design and customer service. We seek to distinguish ourselves by continuing to provide value-added products that meet the needs of our local middle to upper-middle income target mass market customers, and to continue to build our product reliability through "risk announcement" practices. We have a branding team to promote recognition of our brand and products. In addition, we will continue to advertise "Kaisa" across a variety of media, including newspapers, the Internet, television, radio and outdoor advertisements, and by participating in property exhibitions and organizing promotional events. Our goal is to further enhance "Kaisa" as a national brand.

As of December 31, 2020, the total GFA of our land bank was 28.8 million sq.m., located in the five regions shown in the below table:

The Pearl River Delta	15.9 million sq.m.
The Pan-Bohai Bay Rim	2.6 million sq.m.
The Western China Region	3.5 million sq.m.
The Central China Region	4.5 million sq.m.
The Yangtze River Delta	2.3 million sq.m.

As of December 31, 2020, approximately 80% of our land bank is located in first- and key second-tier cities, including 2.3 million sq.m. located in Shenzhen.

As of December 31, 2020, we had a total of 217 property development projects in the following three categories:

- completed properties, comprising completed properties sold, each property held for sale and each investment property for which we have completed construction and received a construction works acceptance and compliance certificate from the relevant governmental authorities;
- properties under development, comprising each property for which we hold a land use rights certificate and a construction works commencement permit; and
- properties for future development, comprising properties for which (i) we have obtained land use rights certificates but have not received a construction works commencement permit; and (ii) we have not obtained land use rights certificates but have entered into a land grant contract or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process.

Our classification of projects reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. Each property project or project phase may involve multiple land use rights certificates, construction permits, pre-sale permits, completion certificates and other permits and certificates which may be issued at different stages of their developments.

The table below sets forth project-by-project information for our property development projects as of December 31, 2020. For illustrative purpose, the table below includes projects held by our affiliates/joint ventures which are not consolidated into our financial statements. The total GFA figures are not adjusted by our attributable interest in our subsidiaries or unconsolidated affiliates/joint ventures.

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
The Greater Bay Area[5]											
1	Shenzhen Woodland Height	Junction of Shenhui Road and Lilang Road, Buji Town, Longgang District	Shenzhen	Residential	1-8	160,514	580,135	580,135	–	–	100%
2	Shenzhen Mocha Town	Busha Road, Longgang District	Shenzhen	Residential	1-7	185,724	735,299	735,299	–	–	100%
3	Shenzhen Kaisa Center[1]	East of Shangbu Nan Road and North of Nanyuan Road, Futian District	Shenzhen	Residential	–	5,966	98,241	98,241	–	–	100%
4	Shenzhen Lake View Place	Junction of Xincheng Road and Pingxi Road,Longgang District	Shenzhen	Residential	1-5	182,064	388,626	388,626	–	–	100%
5	Shenzhen Xiangrui Garden	North of Beihuan Highway, Nanshan District	Shenzhen	Residential	–	57,984	143,796	143,796	–	–	100%
6	Shenzhen Mingcui Garden	Ping'an Avenue, Liang'antian Community, Pinghu Sub-district, Longgang District	Shenzhen	Residential	1-4	102,439	394,663	394,663	–	–	100%
7	Shenzhen Jincui Garden	Cuizhu Road, Luohu District	Shenzhen	Residential	–	9,066	105,830	105,830	–	–	100%
8	Shenzhen Shangpin Garden	Bantian Community, Bantian Street, Longgang District	Shenzhen	Residential	–	45,829	231,572	231,572	–	–	100%
9	Shenzhen Kaisa Financial Technology Center	Shennan Avenue, Futian District	Shenzhen	Commercial	1	14,411	142,000	–	142,000	–	100%
10	Shenzhen Metro City[1]	Buji Station, Shenhui Road, Nanmendun, Buji Town, Longgang District	Shenzhen	Residential	1-4	5,241	124,479	124,479	–	–	100%
11	Shenzhen Kaisa City Plaza	Banxuegang Avenue, Longgang District	Shenzhen	Residential	1-4	179,642	1,084,854	825,271	259,583	–	100%
12	Shenzhen Kaisa Metropolitan Homeland[1]	Mumianwan Station, Longgang Avenue, Buji, Longgang District	Shenzhen	Residential	1-4	19,393	138,892	138,892	–	–	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
13 . . .	Shenzhen Dapeng Kaisa Peninsula Resort	Yingbin Avenue, Dapeng New District	Shenzhen	Commercial	1-2	48,256	186,466	186,466	–	–	100%
14 . . .	Shenzhen Kaisa Yuefeng Garden	Bulong Road, Bantian, Longgang District	Shenzhen	Residential	1-2	47,890	165,455	165,455	–	–	100%
15 . . .	Shenzhen Yantian Kaisa City Plaza	Mingzhu Avenue,Yantian District	Shenzhen	Residential	1-3	170,311	694,042	600,814	93,228	–	100%
16 . . .	Shenzhen Kaisa Golden Bay International Park	Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen	Commercial	1-4	869,838	516,400	–	333,910	182,490	51%
17 . . .	Shenzhen Marriott Hotel Golden Bay	No.8 Jinsha Road, Xiasha Community, Dapeng Street, Dapeng New District	Shenzhen	Commercial	1	34,449	77,834	77,834	–	–	100%
18 . . .	Shenzhen Kaisa Qianhai Plaza	Junction of Yueliangwan Avenue and Mianshan Road, Nanshan District	Shenzhen	Residential	1-2	49,582	295,749	295,749	–	–	51%
19 . . .	Shenzhen Pinghu Kaisa Plaza	Junction of Shouzhen Street and Pinghu Avenue, Pinghu Street, Longgang District	Shenzhen	Residential	1-2	118,488	475,000	382,922	92,078	–	100%
20 . . .	Shenzhen Kaisa Future City	Junction of Ruyi Road and Dayun Road, Longcheng Street, Longgang District	Shenzhen	Residential	1-2	48,773	279,003	217,163	61,840	–	80%
21 . . .	Shenzhen Nan'ao Project	Shuitousha Beach, Nan'ao Street, Dapeng New District	Shenzhen	Commercial	1	25,966	51,930	–	51,930	–	50%
22 . . .	Shenzhen Kaisa Dongmen New World[(1)]	Dongmen Street, Luohu District	Shenzhen	Commercial & Residential	1	5,992	50,556	50,556	–	–	100%
23 . . .	Shenzhen Kaisa E Cube	Junction of Huanguan Nan Road and Guantian Road, Guanlan Street, Longhua District	Shenzhen	Commercial & Residential	1	34,129	160,970	160,970	–	–	51%
24 . . .	Shenzhen Nam Tai Inno Park	West Wing of High-tech Industrial Park, Guangming District	Shenzhen	Industrial	1	103,739	331,701	190,722	140,979	–	24%
25 . . .	Shenzhen Nam Tai Technology Center	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen	Industrial	1	22,364	194,595	–	194,595	–	24%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
26 . . .	Shenzhen Nam Tai Inno Valley	East of Nantai Road, Xixiang Street, Bao'an District	Shenzhen	Industrial	1	22,367	170,200	–	–	170,200	24%
27 . . .	Shenzhen Kaisa Marine Mangrove Bay	Intersection of Honghua Road and Xiangzhang Road, Futian District	Shenzhen	Residential	1	9,467	42,600	–	42,600	–	70%
28 . . .	Shenzhen Kaisa Yuebanshan	Junction of Jiuwei Road and Huangmabu Road, Bao'an District	Shenzhen	Residential	1	35,239	150,820	–	–	150,820	40%
29 . . .	Shenzhen Tongda Huixuan[1]	Junction of Jianhui Road and Zhicheng Road, Longhua District	Shenzhen	Commercial & Residential	1	9,321	46,176	–	46,176	–	18%
30 . . .	Shenzhen Futian Dongshan Project (P1)	No.8008 Binhe Avenue, Futian District	Shenzhen	Residential	1	7,590	48,875	–	48,875	–	70%
31 . . .	Shenzhen Kaisa Metropolis Plaza[1]	Buji Street, Longgang District	Shenzhen	Commercial & Residential	1	6,033	66,600	–	66,600	–	100%
32 . . .	Shenzhen Kaisa Sky-high Summit[2]	Guangming Avenue, Guangming District	Shenzhen	Commercial & Residential	1	28,842	138,820	–	72,560	66,260	50%
33 . . .	Shenzhen Luohu Sanshun Project	Dongxiao Street, Luohu District	Shenzhen	Industrial	–	5,427	33,440	–	–	33,440	51%
34 . . .	Shenzhen Kaisa Shenwei	North of Shahe Street, intersection of Qiaofa Road and Qiaoshen Road, Nanshan District	Shenzhen	Commercial	–	7,241	56,930	–	–	56,930	26%
35 . . .	Shenzhen Nanmendun Project[1]	North side of the interchange of Longgang Avenue and Tiedong Road, Buji Street, Longgang District	Shenzhen	Residential	–	68,800	214,700	–	–	214,700	100%
36 . . .	Shenzhen Kaisa Sky-high Mansion[1]	Bantian Street, Longgang District	Shenzhen	Residential	–	82,000	286,000	–	–	286,000	100%
37 . . .	Shenzhen Kaisa Lakeside Residence	Northwest corner of the intersection of South Luyin Road and Dongzong Road, Shijing Street, Pingshan District	Shenzhen	Residential	1	37,254	168,380	–	–	168,380	13%
38 . . .	Guangzhou Kaisa Plaza[1]	No.191 Tiyu West Road, Tianhe District	Guangzhou	Commercial	1-9	14,192	233,322	233,322	–	–	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
39 . . .	Guangzhou Monarch Residence	No.99 Jiangnan Avenue Central, Haizhu District	Guangzhou	Residential	–	7,707	56,666	56,666	–	–	49%
40 . . .	Guangzhou Kaisa Mansion No.1	No.505 Huangpu Avenue, Financial Center, Tianhe District	Guangzhou	Residential	1	15,178	86,138	–	86,138	–	59%
41 . . .	Guangzhou Sky Villa	Tongbao Road, Guangzhou Avenue North, Baiyun District	Guangzhou	Residential	1-2	65,627	230,577	–	230,577	–	49%
42 . . .	Guangzhou Sky Mansion	Lot No.20, Meihua Garden, Shatai Road, Baiyun District	Guangzhou	Residential	–	19,671	80,854	80,854	–	–	49%
43 . . .	Guangzhou Kaisa City Plaza	Lot No.49, Nangang, Yunpu Industrial Zone, Huangpu District	Guangzhou	Residential	1-4	190,742	776,318	776,318	–	–	95%
44 . . .	Guangzhou Kaisa Future City	No.3889 Huangpu Avenue East, Huangpu District	Guangzhou	Commercial	1-3	321,261	547,995	547,995	–	–	49%
45 . . .	Guangzhou Kaisa Center	East of Beihao Yong, Northwest to the Luoxi Bridge, Haizhu District	Guangzhou	Commercial	1-3	78,644	315,343	–	–	315,343	50%
46 . . .	Guangzhou Kaisa Baiyun City Plaza	West of Baiyun New Town, South of Huangshi West Road, and East of Shicha Road, Baiyun District	Guangzhou	Residential	1-4	179,000	507,650	–	–	507,650	55%
47 . . .	Guangzhou Kaisa Yuejiang Mansion	Lingshan Island, MingZhu Bay, Nansha Free Trade Zone	Guangzhou	Residential	1-2	47,626	94,960	–	94,960	–	49%
48 . . .	Guangzhou Jiaze Garden	Huangniukan, Wuyi Village, Licheng Street, Zengcheng District	Guangzhou	Residential	–	17,746	44,364	–	44,364	–	100%
49 . . .	Guangzhou Kaisa Yuefeng	Jiuru Village, Ningxi Street, Zengcheng District	Guangzhou	Residential	1-3	113,401	340,204	–	340,204	–	49%
50 . . .	Guangzhou Kaisa Fengming Mountain	East of Huangge West Road, Huangge Town, Nansha District	Guangzhou	Residential & Commercial	1-2	102,392	327,654	–	327,654	–	39%
51 . . .	Guangzhou Xiajing Village Project	West of Guanghe Highway, East of Zhonghua Road, middle of Zhongxin Town, Zengcheng District	Guangzhou	Residential & Commercial	1-3	243,200	393,700	–	–	393,700	80%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
52 . . .	Guangzhou Kaisa Blissful Bay	South of Yingdong Avenue, West of Gangqian Avenue, Nansha District	Guangzhou	Residential	1-3	30,623	101,056	–	–	101,056	60%
53 . . .	Qingyuan Kaisa City Plaza	South of GuangQing Avenue, Longtang Town, Qingcheng District	Qingyuan	Residential	1-5	343,749	1,183,327	–	308,365	874,962	100%
54 . . .	Foshan Shunde Kaisa Golden World	West of Waihuan Road, Ronggui Town, Shunde District	Foshan	Residential	1-9	197,584	645,921	645,921	–	–	49%
55 . . .	Foshan Kaisa Metro City	No.169 Guangfo Road, Huangqi Town, Nanhai District	Foshan	Commercial	1	14,406	101,398	–	101,398	–	49%
56 . . .	Foshan Kaisa E Cube	No. 97 Yanbu Huanzhen North Road, Dali Town, Nanhai District	Foshan	Commercial	1	15,271	61,082	–	61,082	–	30%
57 . . .	Foshan Kaisa Yuefeng	South of Kuiqi West Road, West of Zhenzhong Road, Shiwan Sub-district, Chancheng District	Foshan	Residential	1	31,017	94,960	–	94,960	–	100%
58 . . .	Foshan Kaisa Fantasia Guangya Court	North of Xiaping Road, East of Foshan 1st Ring Road, Guicheng Street, Nanhai District	Foshan	Residential & Commercial	1	62,406	136,816	–	136,816	–	51%
59 . . .	Dongguan Zhongyang Haomen	Longsheng Road, Xincheng District, Shilong Town	Dongguan	Residential	–	82,742	377,481	377,481	–	–	100%
60 . . .	Dongguan Dongjiang Haomen	South of Dongjiang Road, Yangwu Village and Qishi Village, Qishi Town	Dongguan	Residential	1	86,324	243,296	243,296	–	–	100%
61 . . .	Dongguan Shui'an Haomen	Fengshen Avenue, Fenggang Town	Dongguan	Residential	1	70,734	200,386	200,386	–	–	80%
62 . . .	Dongguan Dijingwan	Jinshawan Square, Xincheng District, Shilong Town	Dongguan	Residential	1-2	46,474	155,432	155,432	–	–	100%
63 . . .	Dongguan Le Grand Bleu	Xinwei Village Group, Qisha Village, Shatian Town	Dongguan	Residential	1-4	239,050	717,084	360,281	356,803	–	100%
64 . . .	Dongguan Oasis Town	Junction of Huancheng Road and Green Road, Xiping Community, Nancheng District	Dongguan	Residential	1-4	65,021	150,772	150,772	–	–	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
65 . . .	Dongguan Yulongshan Garden	Jinzhou Community, Humen Town	Dongguan	Residential	1-2	33,910	109,180	109,180	–	–	100%
66 . . .	Dongguan Shilong Project[2]	Junction of Jiangnan Middle Road and Xihu No.1 Road, Xihu District, Shilong Town	Dongguan	Residential	–	5,567	10,131	–	–	10,131	100%
67 . . .	Dongguan Riverside Woods Palace[2]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential	–	62,802	155,693	–	–	155,693	85%
68 . . .	Dongguan Riverside Hillview Palace[2]	Junction of Dongshen Road and Bihu Avenue, Fenggang Town	Dongguan	Residential	–	64,743	202,294	–	–	202,294	90%
69 . . .	Dongguan Kaisa Glamourous Riverscape Garden	Douchi Island, Zhongtang Town	Dongguan	Residential	1	38,096	95,239	–	95,239	–	51%
70 . . .	Dongguan Kaisa Yango Times Horizon	Dingshan Community, Houjie Street	Dongguan	Residential	1-5	69,524	208,571	–	208,571	–	34%
71 . . .	Dongguan Namtai Longxi	Dongtai Village, Machong Town	Dongguan	Residential & Commercial	–	33,763	114,520	–	114,520	–	24%
72 . . .	Dongguan Kaisa Enchanting Garden	Douchi Island, Zhongtang Town	Dongguan	Residential	1	22,451	67,352	–	67,352	–	49%
73 . . .	Dongguan Kaisa Glossy Riverscape Garden	Douchi Island, Zhongtang Town	Dongguan	Residential	1	27,600	80,026	–	80,026	–	51%
74 . . .	Dongguan Kaisa Shimao Glamourous Era	North of Longyan School, Humen Town	Dongguan	Residential	1	60,512	151,280	–	151,280	–	51%
75 . . .	Dongguan Kaisa Prosperous Villa	Zhongtang Town, Douchizhou	Dongguan	Residential & Commercial	1	41,837	115,088	–	115,088	–	49%
76 . . .	Huizhou Kaisa Mansion No.1	Gutang'ao, Miaozaikeng	Huizhou	Residential	1-10	89,998	260,577	260,577	–	–	55%
77 . . .	Huizhou Kaisa Center	No.18 Sub-district, Jiangbei, Huicheng District	Huizhou	Commercial	1-3	70,859	722,945	722,945	–	–	55%
78 . . .	Huizhou Yuanzhou Project[2][3]	Tanjiao Section, Liangwu Gaotou Village, Yuanzhou Town, Boluo County	Huizhou	Residential	–	20,400	61,200	–	–	61,200	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
79 . . .	Huizhou Kaisa Riverbank New Town	Jiangnan Section, Cui Mei countryside Committee, Hengkeng, Luoyang Town, Boluo County	Huizhou	Residential	1-13	1,663,969	4,326,239	3,827,870	467,744	30,625	55%
80 . . .	Huizhou Kaisa Mountain Bay	Huangbujiao, Lianfeng Village, Renshan Town, Huidong County	Huizhou	Residential	1-3	169,331	361,653	–	361,653	–	55%
81 . . .	Huizhou Kaisa Times Mocha Town	Junction of Zhongkai Avenue and Jinbang Road, Huicheng District	Huizhou	Residential	1-6	281,066	641,781	195,313	433,900	12,568	51%
82 . . .	Huizhou Kaisa Dong River Garden	Jiangnanxincheng, Luoyang Town, Boluo County	Huizhou	Residential	1-4	176,724	441,810	–	196,332	245,478	55%
83 . . .	Huizhou Longmen Longquan Dajing	Laiwu Village, Longtian Town, Longmen County	Huizhou	Residential	1-4	386,891	630,000	–	285,982	344,018	70%
84 . . .	Huizhou Kaisa Monarch Residence	Junction of Huifeng West Second Road and Hechang West Fifth Road,Huicheng District	Huizhou	Residential	1	22,201	71,043	–	71,043	–	55%
85 . . .	Huizhou Kaisa Jade Garden	Longsu Road, Center of Longxi Town, Boluo County	Huizhou	Residential	1	17,392	78,264	–	78,264	–	55%
86 . . .	Huizhou Kaisa Yunzhu	Shangpu Road, Longxi Street, Boluo County	Huizhou	Residential	1	48,179	168,627	–	168,627	–	18%
87 . . .	Huizhou Kaisa Yunfeng	Junction of Dongxiang South Road and Xinglian West Road	Huizhou	Residential	1	27,820	130,918	–	130,918	–	28%
88 . . .	Huizhou Kaisa Shiguangdao	Center of Ma'an Town, Huicheng District	Huizhou	Residential & Commercial	1-4	110,871	343,700	–	343,700	–	55%
89 . . .	Huizhou Huidong Project	Renshan Town, Huidong County	Huizhou	Residential & Commercial	–	72,710	218,219	–	–	218,219	50%
90 . . .	Huizhou Kaisa City Plaza	Pingnan Area, Huihuan Street, Zhongkai High-tech Zone	Huizhou	Residential & Commercial	–	207,700	608,400	–	–	608,400	60%
91 . . .	Huizhou Kaisa Yuebanwan	South bank of Lujiangli,Huicheng District	Huizhou	Residential & Commercial	1-6	165,999	530,995	–	–	530,995	55%
92 . . .	Zhuhai Lake View Waldorf Garden[2]	Shangsha Street, Wanzai, Xiangzhou District	Zhuhai	Residential	1-4	164,354	550,431	147,814	96,312	306,305	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
93 . . .	Zhuhai Golden World	North of Huangyang Avenue, South of Wangbao Reservoir and Jintai Temple, Doumen Town, Doumen District	Zhuhai	Residential	1-4	192,710	316,037	316,037	–	–	100%
94 . . .	Zhuhai Kaisa Monarch Residence	North of Zhufeng Avenue, Qianwu Town, Doumen District	Zhuhai	Residential	–	16,088	28,958	28,958	–	–	100%
95 . . .	Zhuhai Kaisa Yuefeng Garden	East of Xiewei village and South of Golden Coast Road, Golden Coast, Sanzao Town, Jinwan District	Zhuhai	Residential	1	21,970	73,816	–	73,816	–	100%
96 . . .	Zhuhai Kaisa Golden Metro Garden	Southeast of Nanda West Road, Northeast of Gangtong Second Road, Nanshui Town, Gaolangang	Zhuhai	Residential	1	74,729	129,260	–	129,260	–	51%
97 . . .	Zhongshan Kaisa Xiangshan Royal Palace	No.3 Jinzhong Road, Jinzhong Village, Banfu Town	Zhongshan	Residential	1	21,061	69,794	69,794	–	–	100%
98 . . .	Zhongshan Kaisa Shangpin Garden	No.1 Nanhu Road, Nanlang Town	Zhongshan	Residential	1	22,307	82,397	82,397	–	–	72%
99 . . .	Zhongshan Kaisa Metro City	Junction of Xingbao Road and Yunsheng Road, Shaxi Town	Zhongshan	Residential	1-2	61,873	211,608	211,608	–	–	80%
100 . .	Zhongshan Kaisa Fortune Garden	No. 68 Guangfu Avenue, Dongsheng Town	Zhongshan	Residential	1-2	51,340	128,347	–	128,347	–	51%
101 . .	Zhongshan Kaisa Yuebanshan	In close vicinity to Changjiang Water Plant, Eastern Area	Zhongshan	Residential	1	33,333	83,333	–	83,333	–	100%
102 . .	Yangjiang Kaisa Riverside No. 1	Longtang Road, Yangdong District	Yangjiang	Residential	1-2	78,452	159,025	–	159,025	–	49%
103 . .	Jieyang Kaisa City Plaza	Binhai New District,Yuedong New City,Huilai County,Jieyang	Jieyang	Residential & Commercial	1-2	159,004	461,727	–	461,727	–	60%
104 . .	Jieyang Kaisa Future City	Southwest of Xingyuan Road and Feifeng Road, Jiedong District	Jieyang	Residential & Commercial	1-3	147,300	314,007	–	314,007	–	100%
105 . .	Jiangmen Kaisa Yuefeng Mansion	North of Mingde 1st Road, East of Wenhua Road, Xinhui District	Jiangmen	Residential	1	45,937	114,843	–	–	114,843	49%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
106	Hong Kong Sai Wan Project	No.1 Eastern Street, Sai Wan	Hong Kong	Residential	1	365	3,258	–	3,258	–	100%
107	Hong Kong Tuen Mun Project	Castle Peak Road-Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong	Hong Kong	Residential	1-2	13,538	54,152	–	–	54,152	100%
108	Hong Kong The Concerto	No.203 Yee Kuk Street, Sham Shui Po, Kowloon, Hong Kong	Hong Kong	Residential	1	381	3,299	–	3,299	–	75%
109	Hong Kong Kai Tak Project	Inland Lot No. 6591,New Kowloon	Hong Kong	Residential	1-2	9,708	53,394	–	53,394	–	50%
110	Sanya Kaisa Begonia Seasons	Nantian Hot Spring Resort Area, North of Haitang District	Sanya	Commercial & Service	1	42,585	42,585	–	42,585	–	60%
111	Sanya Kaisa Begonia Mountain	Dongfeng Branch, Nantian Farm, Haitang Bay Town	Sanya	Residential	1	36,943	44,332	–	44,332	–	44%
The West China Region											
112	Chengdu Kaisa Monarch Residence	Erjiangsi Village, Huayang Town, Shuangliu County	Chengdu	Residential	1-3	182,666	1,041,531	1,041,531	–	–	100%
113	Chengdu Lijing Harbour	Group 1 and 2, Huafeng Village, Yongquan Sub-district, Wenjiang District	Chengdu	Residential	1	150,071	761,542	761,542	–	–	100%
114	Chengdu Modern Town	Yingchunqiao, Dongsheng Sub-district Office, Shuangliu County	Chengdu	Commercial	1-2	133,269	362,420	362,420	–	–	100%
115	Chengdu Kaisa Mansion No.8	South Sanzhiqu Area, Dongsheng Street, Shuangliu County	Chengdu	Residential	1-5	120,570	610,744	478,625	132,119	–	100%
116	Chengdu Kaisa City Plaza	Group 1 and 2, Machang Village, Wenjia Sub-district Office, Qingyang District	Chengdu	Residential	1-4	112,194	460,901	460,901	–	–	100%
117	Chengdu Kaisa Leading Town	Group 6 and 7, Taiji Community, Gongping Sub-district Office, Wenjiang District	Chengdu	Residential	1-2	57,836	342,533	342,533	–	–	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
118 . .	Chengdu Kaisa Yuefu	Junction of Fengxiang Avenue and Fenghuang Avenue, Qingbaijiang District	Chengdu	Residential	1-2	113,411	447,537	–	447,537	–	100%
119 . .	Chengdu Kaisa Imperial Jade	No. 977, South of Fengxi Avenue, Wenjiang District	Chengdu	Residential	1	34,088	68,175	–	68,175	–	51%
120 . .	Chengdu Kaisa Tianyue Mansion	No. 64 Jinxing Road, Jinjiang District	Chengdu	Commercial & Residential	1	3,286	26,290	–	26,290	–	100%
121 . .	Chengdu Kaisa Lushan No.1	North of Shenyang Road, South of Lushan Avenue, Tianfu New District	Chengdu	Residential & Commercial	1	45,635	91,200	–	91,200	–	100%
122 . .	Pengzhou Kaisa Golden Metro	West of Chengde Avenue (Beixin Avenue), Mengyang Town	Pengzhou	Residential	1-4	104,964	278,191	66,947	211,244	–	100%
123 . .	Nanchong Kaisa Plaza	No.39 Zhengyang East Road, Shunqing District	Nanchong	Residential	1-2	29,541	116,634	116,634	–	–	100%
124 . .	Nanchong Monarch Residence	No.308 Baituba Road, Shunqing District	Nanchong	Residential	1-3	256,187	813,746	813,746	–	–	100%
125 . .	Chongqing Kaisa Plaza	Longzhouwan Street, Banan District	Chongqing	Residential	1-3	119,767	481,362	481,362	–	–	100%
126 . .	Chongqing Kaisa Bright Harbour	Baqiao Town, Dadukou District	Chongqing	Residential	1-10	324,327	989,399	695,766	293,633	–	100%
127 . .	Chongqing Kaisa Fengming Riverside	Ertang Village, Jingkou Street, Jingkou Town, Shapingba District	Chongqing	Residential	1	56,778	141,945	–	141,945	–	50%
128 . .	Chongqing Kaisa Zhuanshan Fortune Garden	North end of Changjiang River Bridge, Jiangjin District	Chongqing	Residential	1-3	77,543	225,097	–	225,097	–	50%
129 . .	Chongqing Riverside Seasons	East of Ganghua Middle Road, Dadukou District	Chongqing	Residential	1	41,724	104,311	–	104,311	–	50%
130 . .	Chongqing Kaisa Yuebanshan	Biquan Street, Bishan High-tech District	Chongqing	Residential	1-2	126,443	252,887	–	252,887	–	100%
131 . .	Chongqing Kaisa Skyline Residence	Xiyong, Shapingba District	Chongqing	Residential	1	116,773	175,160	–	175,160	–	52%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
132	Kunming Kaisa Dianchi Mansion	Intersection of Feihu Road and Haiyan Road, Chenggong District	Kunming	Residential	1	33,728	73,430	–	73,430	–	49%
133	Guiyang Kaisa Yuebanshan	Near Jianshan Temple, Jinqing Avenue, Qingzhen City	Guiyang	Residential & Commercial	1-3	182,977	548,930	–	187,402	361,528	91%
The Pan-Bohai Bay Rim											
134	Beijing Kaisa Fantasia Pinnacle Mansion	Intersection of Chengzi Street and Heishan Street, Mentougou District	Beijing	Residential	1	20,039	40,077	–	–	40,077	60%
135	Bazhou Kaisa Peacock City Yuefeng	West of Rose Garden Hot Spring Resort, Development District	Bazhou	Residential	1	36,576	54,859	–	54,859	–	51%
136	Gu'an Kaisa Fengyuan Tianci Project	Near the Niutuo Hot Spring Peacock City, Niutuo Town	Gu'an	Residential	1	32,484	48,726	48,726	–	–	49%
137	Qingdao Kaisa Lake View Place	East of Zhongjing Second Road, West of Wangsha Road and South of Baishahe, Xiazhuang Street, Chengyang District	Qingdao	Residential	1-3	229,865	381,418	381,418	–	–	100%
138	Qingdao Kaisa Yuefeng	No.777 Huicheng Road, Chengyang District, Qingdao	Qingdao	Residential	1	61,492	110,685	–	110,685	–	51%
139	Shenyang Kaisa Center	East of Qingnian Avenue, Shenhe District	Shenyang	Commercial	1	21,423	292,331	292,331	–	–	100%
140	Shenyang Kaisa Yuefeng	Changbai South Road, Heping District	Shenyang	Residential	1-2	12,947	38,844	38,844	–	–	100%
141	Shenyang Kaisa Xuefu Mansion No.1	East of Xuzhou Street and North of Zhonghua Road, Heping District	Shenyang	Residential	1	12,874	102,989	–	–	102,989	51%
142	Anshan Kaisa Monarch Residence	South of Ziyou Dong Road, East of Anqian Road, Lishan District	Anshan	Residential	1	129,242	240,688	89,840	67,300	83,548	49%
143	Anshan Kaisa Plaza[(1)]	Renmin Road, Tiexi District	Anshan	Commercial	1-3	11,238	85,148	85,148	–	–	100%
144	Benxi Kaisa Lake View Place	Binhe North Road, Mingshan District	Benxi	Residential	0	122,200	324,480	324,480	–	–	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
145	Huludao Suizhong Kaisa Dongdaihe[2]	South of Binhai Road, Dongdaihe New District, Suizhong County	Huludao	Residential	1	1,647,042	2,976,942	1,083,021	801,160	1,092,761	100%
146	Dandong Kaisa Mansion No.1	South of Huanghai Avenue, Zhenxing District	Dandong	Residential	1-4	133,340	331,542	331,542	–	–	100%
147	Dalian Kaisa Center	No.24 Zhujin Street, Donggang Business District, Zhongshan District	Dalian	Commercial	1-2	26,610	156,239	118,589	37,650	–	100%
148	Dalian Kaisa Plaza	No.271 Tianjin Street, Zhongshan District	Dalian	Commercial	–	15,955	78,454	78,454	–	–	100%
149	Dalian Kaisa Mansion No. 1	Junction of Zhonggang North Road and Hugang Road, Dalian Free Trade Zone	Dalian	Commercial & Residential	1	41,150	104,392	104,392	–	–	100%
150	Dalian Kaisa Yuejing	East of Shengli Road, Jinpu New District	Dalian	Residential	1	24,334	85,169	–	85,169	–	100%
The Central China Region											
151	Changsha Kaisa Lake View Place	Jinping Village, Tiaoma County	Changsha	Residential	1-4	673,536	938,203	938,203	–	–	100%
152	Changsha Kaisa Times Square	Yingpan East Road, Furong District	Changsha	Residential	–	21,770	108,731	108,731	–	–	50%
153	Changsha Kaisa Plaza	Wuyi Road, Furong District	Changsha	Commercial	1	14,324	221,603	221,603	–	–	50%
154	Changsha Kaisa Meixi Lake Project	Meixi Lake, Yuelu District	Changsha	Residential	1-6	253,693	892,604	892,604	–	–	100%
155	Changsha Kaisa City Plaza	Northeast of Xiangzhang Road and Yuhua Avenue Intersection, Yuhua District	Changsha	Residential & Commercial	1-4	126,529	465,820	–	67,493	398,327	49%
156	Changsha Kaisa Crown Residence	Junction of Huahou Road and Xiangzhang Road, Gaotie New Town, Yuhua District	Changsha	Commercial	1-2	20,108	171,932	–	114,626	57,306	30%
157	Changsha Kaisa Sunshine Residence	Southeast Corner of Wanjiali Road and Xiangfu Road, Yuhua District	Changsha	Residential	1	23,136	69,408	–	69,408	–	30%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
158 . .	Changsha Kaisa Bright Harbour Seasons	Southwest of intersection of Shuangyang Road and Huangyuan Road, Furong District	Changsha	Commercial	1	34,300	89,045	–	89,045	–	65%
159 . .	Zhuzhou Kaisa Golden World	Liyu Central Business District, Tianyuan District	Zhuzhou	Residential	1-3	222,182	597,728	597,728	–	–	100%
160 . .	Hengyang Kaisa Yuefeng	North of Chuanshan West Road, South of Lixin Avenue, West of Cailun Avenue	Hengyang	Residential	1	50,054	160,648	–	160,648	–	51%
161 . .	Wuhan Kaisa Golden World	Junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District	Wuhan	Residential	1-3	181,493	605,941	605,941	–	–	50%
162 . .	Wuhan Kaisa Mansion No.1	North of Zhiyin Avenue, West of Yangcheng West Road, Hangyang District	Wuhan	Residential	–	40,351	156,763	156,763	–	–	100%
163 . .	Wuhan Kaisa Plaza	No.336 Wuluo Road, Wuchang District	Wuhan	Residential	1	26,861	142,355	142,355	–	–	100%
164 . .	Wuhan Kaisa Yuefu	North of Jinbei No.1 Road and East of Wuxinganxian, Jinghe Street,Dongxi Lake District	Wuhan	Residential	1-2	128,539	352,480	–	352,480	–	50%
165 . .	Wuhan Kaisa Bright Harbour	South of Shefa Shan Road, East of the 2nd Chuanjiangchi Road, Economic and Technology Development Area	Wuhan	Residential	1	56,901	142,252	–	142,252	–	50%
166 . .	Wuhan Kaisa Waterfront Jade Garden	East of Jintai Road, West of Fenghua Road and North of Guanhu Road, Xinzhou District	Wuhan	Residential	1-2	129,191	258,382	–	258,382	–	30%
167 . .	Wuhan Kaisa Jade Crest	South of Shendun San Road, East Lake New Technology Development Zone	Wuhan	Residential	1	45,753	168,696	–	–	168,696	34%
168 . .	Ezhou Zhongliang Kaisa The One Mansion	West of Yingbin Avenue, Echeng District	Ezhou	Residential	1	103,176	281,669	–	281,669	–	35%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
169	Xiaogan Kaisa Airport Science and Technology City	Airport Economic Development Zone	Xiaogan	Industrial	1-3	218,814	264,026	31,722	120,328	111,977	70%
170	Xiaogan Kaisa Jade Dragon Court	Airport Economic Development Zone	Xiaogan	Residential	1-2	141,448	151,349	–	75,307	76,043	50%
171	Xinzheng Kaisa Yuefeng	South of Zhongxing Road, West of Wenhua Road	Xinzheng	Residential	1-2	69,499	156,620	91,102	65,518	–	100%
172	Xinxiang Kaisa Yuefeng	West of Hongyuan Street, North of Guihua Road, Hongqi District	Xinxiang	Residential	1	23,165	85,686	–	85,686	–	51%
173	Luoyang HYC Kaisa Lake View Place	Junction of Simaguang Road and Liujingxiang, Luolong District	Luoyang	Residential	1-5	210,884	587,534	–	432,368	155,166	16%
174	Luoyang Kaisa Lake View Waldorf	Intersection of Yibin Road and Fumin Lane, Yibin District	Luoyang	Residential	1	95,613	239,034	–	–	239,034	32%
175	Luoyang HYC Kaisa Luoyang Center	Intersection of Guanlin Road and Longmen Avenue, Luolong District	Luoyang	Residential & Commercial	1-3	238,037	873,288	–	–	873,288	49%
The Yangtze River Delta											
176	Shanghai Shanhuwan Garden	No.4333 Alley, Haima Road, Haiwan Town, Fengxian District	Shanghai	Residential	1-4	104,796	140,151	140,151	–	–	100%
177	Shanghai Shangpin Garden	Kangfeng North Road and Kangnian Road, Malu Town, Jiading District	Shanghai	Residential	–	23,307	84,448	84,448	–	–	50%
178	Shanghai Kaisa Mansion No.8	No.99 Alley, Juting Road, Zhuanghang Town, Fengxian District	Shanghai	Residential	1-2	143,053	240,499	116,474	124,025	–	100%
179	Shanghai Kaisa City Plaza	Junction of Shengzhu East Road and Chengliu Road, Xuhang Town, Jiading District	Shanghai	Residential	1-3	117,256	331,724	331,724	–	–	100%
180	Shanghai Kaisa Mansion	Junction of Minsheng Road and Middle Yanggao Road, Pudong District	Shanghai	Commercial	1	11,088	77,811	77,811	–	–	100%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
181 . .	Shanghai Kaisa Monarch Residence	Junction of Songjian Road and Fumao Road, Chonggu Town, Qingpu District	Shanghai	Residential	1-2	90,642	212,240	212,240	–	–	100%
182 . .	Shanghai Kaisa City Garden	East of Qiyuan Road, West of Xiaoxin River, South of Shupindong Road and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential	1	23,638	55,429	–	55,429	–	41%
183 . .	Shanghai Shangpin Jiayuan	East of Xiaoxin River, West of Base Boundary,South of Gengpu River and North of Xinjian No.1 Road, Xuhang Town, Jiading District	Shanghai	Residential	1	44,590	80,262	–	80,262	–	41%
184 . .	Shanghai Kaisa City Plaza (Phase 4-7)	Xuhang Town, Jiading District	Shanghai	Residential	1-4	126,923	213,515	–	213,515	–	90%
185 . .	Shanghai Kaisa Future City	North of Yinggang East Road, Xiayang Street, Qingpu District	Shanghai	Residential	1	27,819	61,202	–	–	61,202	47%
186 . .	Hangzhou Jade Dragon Court	North of Zhennan Road, Zhijiang National Holiday Resort, West Lake District	Hangzhou	Residential	–	39,376	98,041	98,041	–	–	100%
187 . .	Hangzhou Kaisa Monarch Residence	North of Shitang Road and West of Donghu Road, Qiaosi Street, Yuhang District	Hangzhou	Residential	–	36,595	100,849	100,849	–	–	100%
188 . .	Hangzhou Puyu Court	Jingfeng Community, Wuchang Street, Yuhang District	Hangzhou	Residential	1	74,779	207,476	207,476	–	–	100%
189 . .	Hangzhou Fuyang Yinhu Project	Dashanjiao Village, Yinhu Street, Fuyang District	Hangzhou	Residential	1	26,000	23,326	–	–	23,326	100%
190 . .	Hangzhou Kaisa Yunfeng	Xianlin Street, Yuhang District	Hangzhou	Residential	1	19,175	38,350	–	38,350	–	50%
191 . .	Hangzhou Kaisa Dexin Cloud Heigh Jade Garden	Northeast of Dongqiao Road and No.7 Road, Fuyang District	Hangzhou	Residential	1	49,166	108,165	–	108,165	–	51%
192 . .	Hangzhou Kaisa Aurora	Pengbu Street, Jianggan District	Hangzhou	Residential	1	36,748	88,195	–	–	88,195	52%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
193	Shaoxing Kaisa Guoyue Mansion	Lanting Street, Keqiao District	Shaoxing	Residential	1	61,233	46,660	–	46,660	–	36%
194	Shaoxing Kaisa Monarch Residence	Fuquan Street, Keqiao District	Shaoxing	Residential	1	19,852	72,448	72,448	–	–	70%
195	Ningbo Kaisa Dongchenyipin	Junction of Century Avenue and Min'an Road, Yinzhou District	Ningbo	Commercial	1	15,086	56,285	56,285	–	–	30%
196	Ningbo Kaisa Emerald Residence	Dongjiao Street, Yinzhou District	Ningbo	Residential	1	26,647	66,325	–	–	66,325	51%
197	Jiaxing Xitang Project	East of Hongfu Road and South of Nanyuan Road, Xitang Town	Jiaxing	Residential	1	38,881	64,857	64,857	–	–	51%
198	Suzhou Kaisa Plaza	West of Tayuan Road and South of Zhuyuan Road, Shishan Street, High-tech District	Suzhou	Residential	1-2	33,234	123,216	123,216	–	–	100%
199	Suzhou Kaisa Monarch Residence	South of Xingye Road and East of Sudai Road, Huangqiao Street, Xiangcheng District	Suzhou	Residential	1-2	59,629	197,069	197,069	–	–	100%
200	Suzhou Kaisa Guoyue Mansion	West of Xinhua Road, South of Xiangyanghe Road, Mushu Town, Wuzhong District	Suzhou	Residential	1	32,006	48,008	–	48,008	–	100%
201	Zhangjiagang Kaisa Fengming Riverside	Southwest Corner of the Junction of Yingshan Road and Jingu Road, Phoenix Town	Zhangjiagang	Residential	1	31,666	37,999	37,999	–	–	100%
202	Nanjing Kaisa City Plaza	Junction of Nanjing Foreign Language School and Taiqing Road, South of Hexi Area, Jianye District	Nanjing	Residential	1-3	109,832	411,636	411,636	–	–	100%
203	Nanjing Kaisa Eminent Residence	No.560 Heyan Road, Qixia District	Nanjing	Residential	1	27,376	89,476	89,476	–	–	50%
204	Nanjing Kaisa Yuefeng	East of Vanke City, Lishui District	Nanjing	Residential	1	65,698	144,535	–	144,535	–	51%
205	Nanjing Kaisa Redsun Lakeside Mansion	18 Huqin Road, Lukou Avenue, Jiangning District	Nanjing	Residential	1	73,686	103,160	–	103,160	–	51%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
206 . .	Nanjing Kaisa Riverview Mansion	Intersection of Fangjiaying Road and Chenghe North Road, Gulou District	Nanjing	Residential	1-2	40,522	89,183	–	89,183	–	49%
207 . .	Wuxi Kaisa Xiangrui Luna Residence	North of Yuexi Road, Ehu Town, Xishan District	Wuxi	Residential	1	48,697	77915.2	0	0	77915.2	49%
208 . .	Xuzhou Thriving Spring Villa	West of Guangshan Park, East of Sanhuan East Road, Yunlong District	Xuzhou	Residential	1	132,397	172,115	–	172,115	–	50%
209 . .	Jiangyin Lake View Place	South of Xinhua Road, West of Dongwaihuan Road, and North of Renmin East Road	Jiangyin	Residential	1-3	225,533	272,274	272,274	–	–	49%
210 . .	Jiangyin Gushan Mocha Town	South of Golden Gushan Garden and West of Xingfu Avenue, Gushan Town	Jiangyin	Residential	1-4	76,465	132,849	132,849	–	–	100%
211 . .	Jiangyin Zhouzhuang Golden World	East of Zhouxi Dong Road, Zhouzhuang Town	Jiangyin	Residential	1-2	103,589	182,656	112,889	69,767	–	100%
212 . .	Jiangyin Changjing Lake View Waldorf	East of Xinglong Road and South of Dongshun Road, Changjing Town	Jiangyin	Residential	1-2	93,275	149,763	149,763	–	–	100%
213 . .	Jiangyin Tonghui Garden	North of Tonghui Road, West of Tongjiang Road, and South of Tongfu Road	Jiangyin	Residential	–	41,440	73,615	73,615	–	–	100%
214 . .	Jiangyin Fuqiao Homeland	North of Chengxi Road, West of Tongdu Road, and South of Binjiang Road	Jiangyin	Residential	–	35,801	134,535	134,535	–	–	100%
215 . .	Taizhou Kaisa Mansion No.1	North of Chenzhuang Road and West of No.11 Road, Taizhou Economic Development Area	Taizhou	Residential	1-7	192,505	322,836	75,193	247,643	–	51%

No.	Project	Address	Location	Type	Project Phase	Site Area	Total GFA	Total GFA			Interest attributable to us
								Completed Properties	Under Development	Future Development	
						(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
216 . .	Hefei HC Kaisa Future City	Southwest of junction of Jianghuai Avenue and Zhenzhu Road, Shangpai Town, Feixi	Hefei	Residential	1-2	111,503	200,705	–	200,705	–	49%
217 . .	Hefei Kaisa Lakeside Residence	Intersection of Yungu Road and Guizhou Road, Binhu District	Hefei	Residential	1	37,485	73,204	–	–	73,204	100%
						21,637,245	**58,660,487**	**31,655,534**	**16,437,194**	**10,567,759**	

Notes:

1 The projects are renovation developments of once distressed assets and partially completed properties.

2 Including

(i) Dongguan Shilong project;

(ii) Dongguan Riverside Woods Palace;

(iii) Dongguan Riverside Hillview Palace;

(iv) Huizhou Yuanzhou Project;

(v) A portion of land for Zhuhai Lake View Waldorf Garden;

(vi) Shenzhen Nanmendun Project;

(vii) Shenzhen Kaisa Sky-high Mansion;

(viii) Guangzhou Xiajing Village Project

for which as at 31 December 2020, the Group has not obtained the land use right certificate, but has entered into land grant contracts or obtained confirmation from the relevant land and resources bureau."

3 The projects are based on our internal plans, but subject to the governmental approval.

4 As at 31 December 2020, the GFA of total completed properties for sale reached 1,741,769 sq. m.

5 Two projects in Hainan included.

Properties Under Development

The table below sets forth certain information of our property projects or project phases under development as of December 31, 2020. For illustrative purpose, the table below includes projects held by our affiliates/joint ventures which are not consolidated into our financial statements. The total GFA figures are not adjusted by our attributable interest in our subsidiaries or unconsolidated affiliates/joint ventures.

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Saleable GFA (sq. m.)	Commencement Time	Status of Pre-sale Permit	Estimated Completion Time	Interest Attributable to us
Shenzhen Kaisa Financial Technology Center	Shenzhen	1	142,000	129,640	Apr-2018	Not yet obtained	2021 3Q	100%
Shenzhen Kaisa City Plaza	Shenzhen	3(6)	259,583	154,608	Dec-2017	Not yet obtained	2021 3Q	100%
Shenzhen Yantian Kaisa City Plaza	Shenzhen	2-3	93,228	93,228	Aug-2018	Yes	2022 2Q	100%
Shenzhen Kaisa Golden Bay International Park	Shenzhen	1-2	333,910	146,160	Oct-2018	Not yet obtained	2023 3Q	51%
Shenzhen Pinghu Kaisa Plaza	Shenzhen	3	92,078	92,078	Jul-2019	Yes	2021 3Q	100%
Shenzhen Kaisa Future City	Shenzhen	2	61,840	61,840	Jan-2019	Yes	2022 1Q	80%
Shenzhen Nan'ao Project	Shenzhen	1	51,930	51,810	Sep-2020	Not yet obtained	2023 4Q	50%
Shenzhen Nam Tai Inno Park	Shenzhen	1	140,979	265,000	May-2017	Not yet obtained	2023 4Q	24%
Shenzhen Nam Tai Technology Center	Shenzhen	1	194,595	125,572	Jul-2019	Not yet obtained	2022 1Q	24%
Shenzhen Kaisa Marine Mangrove Bay	Shenzhen	1	42,600	36,233	Apr-2020	Not yet obtained	2021 4Q	70%
Shenzhen Tongda Huixuan	Shenzhen	1	46,176	32,775	Oct-2019	Yes	2022 2Q	18%
Shenzhen Futian Dongshan Project (P1)	Shenzhen	1	48,875	22,998	Jun-2020	Not yet obtained	2023 2Q	70%
Shenzhen Kaisa Metropolis Plaza	Shenzhen	1	66,600	63,905	May-2020	Not yet obtained	2022 4Q	100%
Shenzhen Kaisa Sky-high Summit	Shenzhen	1	72,560	69,010	Sep-2020	Yes	2022 4Q	50%
Guangzhou Kaisa Mansion No.1	Guangzhou	1	86,138	71,183	Apr-2016	Yes	2021 4Q	59%
Guangzhou Sky Villa	Guangzhou	1-2	230,577	68,948	Apr-2017	Yes	2021 4Q	49%
Guangzhou Kaisa Yuejiang Mansion	Guangzhou	1-2	94,960	70,342	Jan-2020	Yes	2021 3Q	49%
Guangzhou Jiaze Garden	Guangzhou	–	44,364	43,064	May-2020	Not yet obtained	2022 3Q	100%
Guangzhou Kaisa Yuefeng	Guangzhou	1-3	340,204	318,484	Oct-2020	Not yet obtained	2022 2Q	49%
Guangzhou Kaisa Fengming Mountain	Guangzhou	1-2	327,654	318,105	Sep-2020	Yes	2022 2Q	39%
Qingyuan Kaisa City Plaza	Qingyuan	1	308,365	307,445	Jun-2019	Yes	2022 3Q	100%
Foshan Kaisa Metro City	Foshan	1	101,398	98,467	Oct-2019	Not yet obtained	2021 4Q	49%
Foshan Kaisa E Cube	Foshan	1	61,082	60,593	May-2019	Yes	2021 3Q	30%
Foshan Kaisa Yuefeng	Foshan	1	94,960	89,232	Dec-2019	Yes	2022 1Q	100%

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Saleable GFA (sq. m.)	Commencement Time	Status of Pre-sale Permit	Estimated Completion Time	Interest Attributable to us
Foshan Kaisa Fantasia Guangya Court	Foshan	1	136,816	136,816	Oct-2020	Not yet obtained	2022 1Q	51%
Dongguan Le Grand Bleu	Dongguan	3-4	356,803	274,447	Jul-2018	Not yet obtained	2021 2Q	100%
Dongguan Kaisa Glamourous Riverscape Garden	Dongguan	1	95,239	92,985	Oct-2019	Yes	2021 4Q	51%
Dongguan Kaisa Enchanting Garden	Dongguan	1	208,571	192,854	Aug-2020	Yes	2023 2Q	34%
Dongguan Namtai Longxi	Dongguan	–	114,520	64,408	Jul-2020	Not yet obtained	2022 4Q	24%
Dongguan Kaisa Enchanting Garden	Dongguan	1	67,352	67,291	Sep-2019	Yes	2021 4Q	49%
Dongguan Kaisa Glossy Riverscape Garden	Dongguan	1	80,026	77,492	Dec-2020	Yes	2022 4Q	51%
Dongguan Kaisa Shimao Glamourous Era	Dongguan	1	151,280	129,394	Oct-2020	Yes	2023 1Q	51%
Dongguan Kaisa Prosperous Villa	Dongguan	1	115,088	114,295	Dec-2020	Not yet obtained	2022 4Q	49%
Huizhou Kaisa Riverbank New Town	Huizhou	1,11,12	467,744	440,356	Jan-2019	Yes	2021 2Q	55%
Huizhou Kaisa Mountain Bay	Huizhou	1-3	361,653	277,746	Jan-2019	Yes	2021 4Q	55%
Huizhou Kaisa Times Mocha Town	Huizhou	1-5	433,900	427,555	Mar-2019	Yes	2021 1Q	51%
Huizhou Kaisa Dong River Garden	Huizhou	1-2	196,332	188,898	Mar-2019	Yes	2021 4Q	55%
Huizhou Longmen Longquan Dajing	Huizhou	1-2	285,982	225,251	Jun-2019	Yes	2022 4Q	70%
Huizhou Kaisa Monarch Residence	Huizhou	1	71,043	70,673	May-2019	Yes	2021 1Q	55%
Huizhou Kaisa Jade Garden	Huizhou	1	78,264	77,164	Dec-2019	Yes	2021 2Q	55%
Huizhou Kaisa Yunzhu	Huizhou	1	168,627	166,804	Apr-2020	Yes	2022 2Q	18%
Huizhou Kaisa Yunfeng	Huizhou	1	130,918	66,768	Feb-2020	Not yet obtained	2021 2Q	28%
Huizhou Kaisa Shiguangdao	Huizhou	1-4	343,700	337,767	Sep-2020	Yes	2023 2Q	55%
Zhuhai Lake View Waldorf Garden	Zhuhai	2	96,312	35,563	Feb-2018	Yes	2021 1Q	100%
Zhuhai Kaisa Yuefeng Garden	Zhuhai	1	73,816	73,079	Dec-2019	Yes	2021 2Q	100%
Zhuhai Kaisa Golden Metro Garden	Zhuhai	1	129,260	114,729	Dec-2019	Yes	2022 3Q	51%
Zhongshan Kaisa Fortune Garden	Zhongshan	1	128,347	59,682	Mar-2020	Not yet obtained	2022 1Q	51%
Zhongshan Kaisa Yuebanshan	Zhongshan	1	83,333	76,788	Oct-2020	Not yet obtained	2022 4Q	100%
Yangjiang Kaisa Riverside No. 1	Yangjiang	1	159,025	97,117	Jan-2019	Yes	2022 4Q	49%
Jieyang Kaisa City Plaza	Jieyang	1	461,727	145,228	Dec-2020	Not yet obtained	2023 1Q	60%
Jieyang Kaisa Future City	Jieyang	1	314,007	103,002	Dec-2020	Not yet obtained	2022 4Q	100%
Hong Kong Sai Wan Project	Hong Kong	1	3,258	N.A.	May-2020	Not yet obtained	2023 3Q	100%

Project	City	Project Phase	Total GFA or Estimated Total GFA (sq. m.)	Saleable GFA or Estimated Saleable GFA (sq. m.)	Commencement Time	Status of Pre-sale Permit	Estimated Completion Time	Interest Attributable to us
Hong Kong The Concerto	Hong Kong	1	3,299	N.A.	Nov-2018	Yes	2021 4Q	75%
Hong Kong Kai Tak Project	Hong Kong	1-2	53,394	N.A.	Oct-2020	Not yet obtained	2024 3Q	50%
Chengdu Kaisa Mansion No.8	Chengdu	5	132,119	93,314	Jan-2018	Yes	2021 1Q	100%
Chengdu Kaisa Yuefu	Chengdu	1-2	447,537	339,688	Feb-2018	Yes	2021 1Q	100%
Chengdu Kaisa Imperial Jade	Chengdu	1	68,175	66,831	Feb-2019	Yes	2021 2Q	51%
Chengdu Kaisa Tianyue Mansion	Chengdu	1	26,290	19,711	Feb-2018	Yes	2021 3Q	100%
Chengdu Kaisa Lushan No.1	Chengdu	1	91,200	69,868	Aug-2020	Yes	2023 2Q	100%
Pengzhou Kaisa Golden Metro	Pengzhou	1,3,4	211,244	209,133	Dec-2018	Yes	2021 2Q	100%
Chongqing Kaisa Bright Harbour	Chongqing	8,10	293,633	105,288	Jan-2019	Yes	2021 2Q	100%
Chongqing Kaisa Fengming Riverside	Chongqing	1	141,945	140,736	Jun-2020	Yes	2023 4Q	50%
Chongqing Kaisa Zhuanshan Fortune Garden	Chongqing	1-3	225,097	87,541	Apr-2019	Yes	2021 3Q	50%
Chongqing Riverside Seasons	Chongqing	1	104,311	57,502	Jan-2020	Yes	2023 1Q	50%
Chongqing Kaisa Yuebanshan	Chongqing	1	252,887	48,893	Aug-2019	Yes	2022 2Q	100%
Chongqing Kaisa Skyline Residence	Chongqing	1	175,160	166,575	Dec-2020	Not yet obtained	2022 4Q	52%
Kunming Kaisa Dianchi Mansion	Kunming	1	73,430	53,964	Jan-2020	Yes	2021 2Q	49%
Guiyang Kaisa Yuebanshan	Guiyang	1	187,402	179,410	Jan-2020	Yes	2022 2Q	91%
Bazhou Kaisa Peacock City Yuefeng	Bazhou	1	54,859	52,261	Mar-2019	Yes	2021 3Q	51%
Qingdao Kaisa Yuefeng	Qingdao	1	110,685	106,662	Jan-2019	Yes	2022 3Q	51%
Anshan Kaisa Monarch Residence	Anshan	4	67,300	67,300	Sep-2019	Yes	2021 3Q	100%
Huludao Suizhong Kaisa Dongdaihe	Huludao	1-4,6	801,160	498,336	Jan-2017	Yes	2021 2Q	100%
Dalian Kaisa Center	Dalian	2	37,650	37,650	Oct-2018	Not yet obtained	2022 3Q	100%
Dalian Kaisa Yuejing	Dalian	1	85,169	77,178	Jun-2019	Yes	2022 2Q	100%
Changsha Kaisa City Plaza	Changsha	1	67,493	66,234	Jan-2020	Yes	2022 4Q	49%
Changsha Kaisa Crown Residence	Changsha	1	114,626	113,721	Sep-2019	Yes	2021 3Q	30%
Changsha Kaisa Sunshine Residence	Changsha	1	69,408	68,113	Apr-2020	Yes	2022 3Q	30%
Changsha Kaisa Bright Harbour Seasons	Changsha	1	89,045	87,593	Dec-2020	Yes	2022 4Q	65%
Hengyang Kaisa Yuefeng	Hengyang	1	160,648	159,679	Feb-2019	Yes	2021 1Q	51%
Wuhan Kaisa Yuefu	Wuhan	2	352,480	162,642	Apr-2019	Yes	2021 2Q	50%
Wuhan Kaisa Bright Harbour	Wuhan	1	142,252	142,252	Dec-2019	Yes	2021 4Q	50%

Project	City	Project Phase	Total GFA or Estimated Total GFA	Saleable GFA or Estimated Saleable GFA	Commencement Time	Status of Pre-sale Permit	Estimated Completion Time	Interest Attributable to us
			(sq. m.)	(sq. m.)				
Wuhan Kaisa Waterfront Jade Garden	Wuhan	1-2	258,382	251,408	Jun-2020	Not yet obtained	2022 1Q	30%
Ezhou Zhongliang Kaisa The One Mansion	Ezhou	1	281,669	281,669	Oct-2018	Yes	2021 4Q	35%
Xiaogan Kaisa Airport Science and Technology City	Xiaogan	1-3	120,328	103,161	Jun-2020	Not yet obtained	2021 4Q	70%
Xiaogan Kaisa Jade Dragon Court	Xiaogan	1	75,307	74,307	Dec-2020	Not yet obtained	2023 4Q	50%
Xinzheng Kaisa Yuefeng	Xinzheng	1-2	65,518	63,062	May-2018	Yes	2021 2Q	100%
Xinxiang Kaisa Yuefeng	Xinxiang	1	85,686	80,002	Apr-2019	Yes	2021 4Q	51%
Luoyang HYC Kaisa Lake View Place	Luoyang	1-3	432,368	224,127	Sep-2019	Yes	2021 4Q	16%
Shanghai Kaisa Mansion No.8	Shanghai	2	124,025	75,231	Apr-2019	Yes	2021 1Q	100%
Shanghai Kaisa City Garden	Shanghai	1	55,429	42,590	Jun-2018	Not yet obtained	2021 1Q	41%
Shanghai Shangpin Jiayuan	Shanghai	1	80,262	77,768	Apr-2019	Not yet obtained	2021 4Q	41%
Shanghai Kaisa City Plaza (Phase 4-7)	Shanghai	–	213,515	155,384	Dec-2019	Yes	2022 1Q	90%
Hangzhou Kaisa Yunfeng	Hangzhou	1	38,350	32,623	Aug-2019	Not yet obtained	2021 4Q	50%
Hangzhou Kaisa Dexin Cloud Heigh Jade Garden	Hangzhou	1	108,165	101,478	Apr-2020	Yes	2022 4Q	51%
Shaoxing Kaisa Guoyue Mansion	Shaoxing	1	46,660	45,930	Dec-2018	Yes	2021 1Q	36%
Suzhou Kaisa Guoyue Mansion	Suzhou	1	48,008	46,867	Sep-2019	Yes	2021 3Q	100%
Nanjing Kaisa Yuefeng	Nanjing	1	144,535	76,092	Sep-2019	Yes	2023 4Q	51%
Nanjing Kaisa Redsun Lakeside Mansion	Nanjing	1	103,160	84,976	Oct-2019	Yes	2023 4Q	51%
Nanjing Kaisa Riverview Mansion	Nanjing	1	89,183	52,282	Jan-2020	Yes	2023 4Q	49%
Xuzhou Thriving Spring Villa	Xuzhou	1	172,115	164,926	Mar-2019	Yes	2021 2Q	50%
Jiangyin Zhouzhuang Golden World	Jiangyin	2	69,767	43,745	Jul-2019	Yes	2021 3Q	100%
Taizhou Kaisa Mansion No.1	Taizhou	3-7	247,643	244,250	Sep-2019	Yes	2022 1Q	51%
Hefei HC Kaisa Future City	Hefei	1-2	200,705	150,529	Jun-2020	Yes	2022 2Q	49%
Sanya Kaisa Begonia Seasons	Sanya	1	42,585	33,207	May-2019	Not yet obtained	2022 1Q	60%
Sanya Kaisa Begonia Mountain	Sanya	1	44,332	43,942	Sep-2020	Yes	2022 2Q	44%
			16,437,194	**12,752,503**				

Properties Held for Future Development

The table below sets forth certain information of our property projects held for future development as of December 31, 2020. For illustrative purpose, the table below includes projects held by our affiliates/joint ventures which are not consolidated into our financial statements. The estimated total GFA figures are not adjusted by our attributable interest in our subsidiaries or unconsolidated affiliates/joint ventures.

Project	Location	Project Phase	Estimated Total GFA	Estimated Completion Time[1]
			(sq. m.)	
Shenzhen Kaisa Golden Bay International Park	Shenzhen	3	182,490	2026
Shenzhen Nam Tai Inno Valley	Shenzhen	2-4	170,200	2025
Shenzhen Kaisa Yuebanshan	Shenzhen	1	150,820	2022
Shenzhen Kaisa Sky-high Summit	Shenzhen	1	66,260	2022
Shenzhen Luohu Sanshun Project	Shenzhen	1	33,440	2023
Shenzhen Kaisa Shenwei	Shenzhen	1	56,930	2024
Shenzhen Nanmendun Project	Guangzhou	1-2	214,700	2024
Shenzhen Kaisa Sky-high Mansion	Guangzhou	1-2	286,000	2023
Shenzhen Kaisa Lakeside Residence	Guangzhou	1	168,380	2023
Guangzhou Kaisa Center	Guangzhou	1-3	315,343	2021
Guangzhou Kaisa Baiyun City Plaza	Guangzhou	1-4	507,650	2022
Guangzhou Xiajing Village Project	Guangzhou	1-2	393,700	2023
Guangzhou Kaisa Blissful Bay	Guangzhou	1	101,056	2023
Qingyuan Kaisa City Plaza	Qingyuan	2-5	874,962	2022
Dongguan Shilong Project	Dongguan	–	10,131	2023
Dongguan Riverside Woods Palace	Dongguan	–	155,693	2023
Dongguan Riverside Hillview Palace	Dongguan	–	202,294	2023
Huizhou Yuanzhou Project	Huizhou	–	61,200	2024
Huizhou Kaisa Riverbank New Town	Huizhou	8	30,625	2022
Huizhou Kaisa Times Mocha Town	Huizhou	3	12,568	2022
Huizhou Kaisa Dong River Garden	Huizhou	3-4	245,478	2022
Huizhou Longmen Longquan Dajing	Huizhou	3-4	344,018	2022
Huizhou Huidong Project	Huizhou	–	218,219	2023
Huizhou Kaisa City Plaza	Huizhou	1-2	608,400	2024
Huizhou Kaisa Yuebanwan	Huizhou	1-6	530,995	2026
Zhuhai Lake View Waldorf Garden	Zhuhai	2-3	306,305	2024
Jiangmen Kaisa Yuefeng Mansion	Jiangmen	1	114,843	2023
Hong Kong Tuen Mun Project	Hong Kong	1-2	54,152	2025
Guiyang Kaisa Yuebanshan	Guiyang	1-3	361,528	2023
Beijing Kaisa Fantasia Pinnacle Mansion	Beijing	1	40,077	2023
Shenyang Kaisa Xuefu Mansion No.1	Shenyang	1	102,989	2023
Anshan Kaisa Monarch Residence	Anshan	3	83,548	2021
Huludao Suizhong Kaisa Dongdaihe	Huludao	4,7	1,092,761	2023
Changsha Kaisa City Plaza	Changsha	2-4	398,327	2023
Changsha Kaisa Crown Residence	Changsha	2	57,306	2023
Wuhan Kaisa Jade Crest	Wuhan	1	168,696	2023
Xiaogan Kaisa Airport Science and Technology City	Xiaogan	3	111,977	2022
Xiaogan Kaisa Jade Dragon Court	Xiaogan	1-2	76,043	2026
Luoyang HYC Kaisa Lake View Place	Luoyang	4-5	155,166	2024

Project	Location	Project Phase	Estimated Total GFA	Estimated Completion Time[1]
			(sq. m.)	
Luoyang Kaisa Lake View Waldorf	Luoyang	1	239,034	2023
Luoyang HYC Kaisa Luoyang Center	Luoyang	1-3	873,288	2024
Shanghai Kaisa Future City	Shanghai	1	61,202	2022
Hangzhou Fuyang Yinhu Project	Hangzhou	1	23,326	2024
Hangzhou Kaisa Aurora	Hangzhou	1	88,195	2023
Ningbo Kaisa Emerald Residence	Ningbo	1	66,325	2023
Wuxi Kaisa Xiangrui Luna Residence	Wuxi	1	77,915	2022
Hefei Kaisa Lakeside Residence	Hefei	1	73,204	2023
Total			**10,567,759**	

Note:

1. For projects with multiple phases, the estimated time for completing the first phase of the project.

The site area information in this offering memorandum is derived on the following basis:

- before a land use rights certificate has been issued, the site area information in respect of the related development or phase is derived from figures set out in the relevant land grant contract or the preliminary approval documents (excluding the areas earmarked for public infrastructure and facilities); and
- if a land use rights certificate has been issued, the site area information relating to the relevant development or phase of the development is derived from the land use rights certificate.

The commencement time for each project or project phase refers to the date or estimated date for beginning construction of the first building.

The completion time for each project or project phase refers to the date on which the completion certificate is duly issued.

If no completion certificate has been issued, the completion time is estimated based on our management's best belief and knowledge. Theses estimates do not represent commitments and are subject to change.

A property is considered sold when the risks and rewards of property are transferred to the purchasers, which occurs when the construction of relevant property has been completed, the property has been delivered to the purchasers and collectibility of related receivables is reasonably assured.

Contractual Arrangements

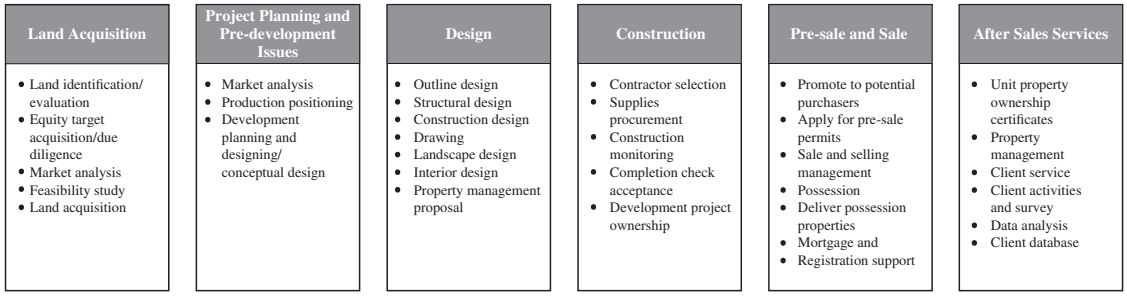
In China, land use rights can be obtained in the primary market or the secondary market. See "— Land Acquisition." Land acquisitions in the secondary market are usually not subject to the public tender, auction and listing-for-sale requirements and can be completed by agreements among the relevant parties through private negotiation. In particular, under existing rules and regulations in Shenzhen, land use rights may be acquired through redevelopment programs without going through the public tender, auction and listing-for-sale process. From time to time, we may enter into contractual arrangements to participate in land acquisitions or development in the secondary market. In most cases, we are required to prepay deposits, advances or other consideration under these contractual arrangements. These deposits, down payments or other consideration are unsecured obligations and have been accounted for as prepayments for proposed development projects in our consolidated financial statements. We acquired 47 land parcels with approximately 5.7 million sq.m. of attributable GFA in 2020. As of December 31, 2020, our prepayments for proposed development projects were approximately RMB25,004.1 million (US$3,832.0 million).

Our contractual arrangements for land acquisition and development as of December 31, 2020 can be broadly divided into the following categories (a project may fall under more than one category):

- *Redevelopment* — we enter into agreements with the local government or government-affiliated entities to provide demolition and resettlement services and secure the required financing in specified old urban areas, such as old industrial areas, old business districts, old residential areas and old villages, with an aim to eventually acquire land use rights to land that we redevelop. The local government or government-affiliated entities are mainly responsible for the required government filings and applications for the redevelopment project to ensure that such project is approved as an old urban area redevelopment project.
- *Cooperative or joint development* — we enter into cooperative or joint development contractual arrangements with independent third parties to jointly develop projects. In such arrangements, we may not hold 100% of the rights and interests in such projects. We typically are responsible for sourcing the development funds required for the joint development, preparation, planning and development of the properties and the additional facilities.

Property Development

We maintain a systematic development approach although each project development is designed to cater to the preferences of the specific target market. The diagram below summarizes the major stages typically involved in our development of a property project:



Going forward, we intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across our property projects.

Site Selection And Market Evaluation

We believe site selection and market evaluation are major determining factors for the success of our property development business. Prior to acquiring a parcel of land, our management will consider key market factors that influence housing growth in the local area and make an informed decision based on market analysis and site research performed by our land acquisition team as well as the additional market information provided by third-party sources. These pre-acquisition measures help us acquire land prudently and develop our projects with clear market positioning from the outset. The key factors we consider in site selection are the following:

- size and population of the city;
- general economic condition and development prospect in the private business sector;
- infrastructure, urban planning and the development plan of the city by the local government;

- anticipated demand for private residential and commercial properties;
- purchasing power of the residents;
- income levels;
- site area and suitability for a large-scale residential property development or for an integrated commercial property development;
- location within the city, proximity to the city center, access to transport and commercial facilities;
- surrounding environment;
- existing and potential property developments in the area and historical property demand in that area;
- overall competitive landscape; and
- overall cost structure.

We typically select sites for our residential developments in suburban areas with access to public transport and other urban facilities. We typically select sites for our commercial developments in prime locations of CBDs in selected cities.

Land Acquisition

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing development must be granted by the government through public tender, auction or listing-for-sale. When deciding to whom to grant the land use rights, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. When land use rights are granted by way of a tender, an evaluation committee consisting of no fewer than five members and in odd numbers (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. If land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder.

Under current PRC laws and regulations, original grantees of land use rights may sell, assign or transfer the land use rights granted to them in the secondary markets. The "primary market" commonly refers to the grant of state-owned land use rights by relevant government authorities, and the "secondary market" commonly refers to the acquisition of land use rights from entities or persons which hold granted land use rights. PRC laws allow grantees of land use rights to dispose of the land use rights granted to them through secondary market sales, subject to the terms and conditions of the land use rights grant contracts and relevant laws and regulations. Unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market is not subject to mandatory public tender, auction or listing-for-sale and can be accomplished by agreement among the relevant parties.

In 2018, 2019 and 2020, we successfully acquired land through the following means:

- public tender, auction and listing-for-sale organized by the relevant government authorities;
- acquisition of controlling equity interests in companies that possess the land use rights for targeted land; and
- participation in redevelopment projects for old urban areas and villages.

We intend to continue to expand our land reserves for new property developments through the primary market as well as the secondary market. The table below sets forth our land acquisition in 2020:

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable Building Area	Attributable Consideration	Land use
			(sq.m.)	(sq.m.)	(RMB in millions)	
January 2020	Hangzhou, Zhejiang	51%	49,166	55,164	457.6	Residential
February 2020	Changsha, Hunan	49%	126,529	228,252	774.9	Residential and Commercial
March 2020	Dongguan, Guangdong	34%	69,524	70,914	837.4	Residential
March 2020	Dongguan, Guangdong	24%	33,763	26,465	169.4	Residential and Commercial
March 2020	Zhongshan, Guangdong	100%	33,000	83,000	727.1	Residential
March 2020	Chengdu, Sichuan	100%	45,635	91,200	889.9	Residential and Commercial
May 2020	Foshan, Guangdong	51%	62,406	90,990	1,027.7	Commercial
May 2020	Changsha, Hunan	65%	34,300	57,879	319.1	Commercial
May 2020	Guangzhou, Guangdong	49%	113,401	166,700	1,432.3	Residential
May 2020	Dongguan, Guangdong	49%	22,451	33,002	374.9	Residential
June 2020	Huizhou, Guangdong	55%	110,871	189,035	1,080.8	Residential and Commercial
June 2020	Dongguan, Guangdong	51%	27,600	42,177	359.9	Residential
June 2020	Jieyang, Guangdong	60%	159,004	277,036	296.4	Residential and Commercial
June 2020	Chongqing	100%	116,773	175,160	1,325.0	Residential
June 2020	Dongguan, Guangdong	51%	60,512	77,153	1,335.1	Residential
June 2020	Guangzhou, Guangdong	80%	102,392	262,123	2,114.4	Residential and Commercial
June 2020	Shenzhen, Guangdong	51%	5,427	17,054	217.2	Industrial
June 2020	Shenzhen, Guangdong	26%	7,241	13,780	635.6	Commercial
June 2020	Guangzhou, Guangdong	80%	243,200	314,960	1,840.0	Residential and Commercial
July 2020	Beijing	60%	20,039	24,046	756.0	Residential
July 2020	Qingdao, Shandong	51%	61,492	56,449	451.0	Residential
July 2020	Nanjing, Jiangsu	49%	40,522	43,700	1,205.4	Residential
July 2020	Shanghai	47%	27,819	28,765	767.6	Residential
July 2020	Luoyang, Henan	32%	95,613	76,491	365.8	Residential
July 2020	Luoyang, Henan	49%	238,037	427,911	1,634.3	Residential and Commercial
July 2020	Dongguan, Guangdong	49%	41,837	56,393	558.4	Residential and Commercial
July 2020	Hangzhou, Zhejiang	52%	36,748	45,861	1,480.6	Residential
August 2020	Huizhou, Guangdong	50%	72,710	109,065	244.8	Residential and Commercial
August 2020	Guiyang, Guizhou	91%	182,977	499,526	609.9	Residential and Commercial
August 2020	Kunming, Yunnan	49%	33,728	35,981	168.5	Residential
August 2020	Wuhan, Hubei	34%	45,753	57,357	584.0	Residential
September 2020	Jieyang, Guangdong	100%	147,300	314,007	523.7	Residential and Commercial
September 2020	Shenzhen, Guangdong	100%	68,800	214,700	2,980.1	Residential
September 2020	Huizhou, Guangdong	60%	207,700	365,040	1,368.9	Residential and Commercial
October 2020	Hefei, Anhui	100%	37,485	73,204	1,145.5	Residential
November 2020	Huizhou, Guangdong	55%	165,997	292,047	2,274.0	Residential and Commercial
November 2020	Shenzhen, Guangdong	13%	37,254	21,889	364.0	Residential
November 2020	Ningbo, Zhejiang	51%	26,647	33,826	732.8	Residential
November 2020	Wuxi, Jiangsu	49%	48,697	38,178	244.9	Residential
November 2020	Guangzhou, Guangdong	60%	30,623	60,634	1,211.0	Residential
November 2020	Shenzhen, Guangdong	100%	82,000	286,000	3,517.8	Residential
November 2020	Xiaogan, Hubei	50%	141,448	75,675	196.3	Residential
December 2020	Jiangmen, Guangdong	49%	45,937	56,273	388.1	Residential
Onshore Sub-total			3,360,358	5,565,063	39,986	

Time of Acquisition	Location	Attributable Interest	Site Area	Attributable Building Area	Attributable Consideration	Land use
			(sq.m.)	(sq.m.)	(RMB in millions)	
January 2020	Tuen Mun, Hong Kong	100%	13,538	54,152	3,185.0	Residential
May 2020	Sai Wan, Hong Kong	100%	365	3,258	500.5	Residential
October 2020	Cheung Sha Wan, Hong Kong	75%	381	2,475	239.4	Residential
November 2020	Kai Tak, Hong Kong	50%	9,708	26,697	3,203.2	Residential
Offshore Sub-total			23,992	86,582	7,128	
Total			3,384,350	5,651,645	47,114	

Financing of Property Developments

Historically our main sources of funding for our property developments are internal funds, proceeds from pre-sales and sales of properties and borrowings from banks and other financial institutions. From time to time, we also seek to obtain further funding to finance our project developments by accessing the international capital markets.

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Project Planning and Design Work

We have an engineering and procurement division and a design management division which work with our project managers as well as external designers and architects in project planning and design phases. Our senior management is regularly involved in our land acquisition and development process, especially in the master planning and architectural design of our projects. We have established written procedures to manage our planning and design process. By implementing these procedures, we can unify planning and overall coordination. We also implement a series of review and design guidelines for our planned projects.

We engage external design firms to carry out design work for our projects according to our design standards and guidelines. We select the design firm based on an evaluation of their proposed concept designs, technical capacities and track record in developing similar projects. Our design management division coordinates and works with the selected design firms in major aspects of the design process, including product positioning, master planning, concept design, layout and architectural design, landscape design and interior design.

Our design contracts generally include a price list and basis for calculating the design fees such as price per sq.m. of GFA and dispute resolution provisions. We generally make payments in installments according to the progress of a project and settle the balance of the contract amounts after the project has passed the requisite government inspections and acceptances. We adopt procedures for project monitoring and quality control during the construction process to ensure that the project construction complies with design drawings, regulations, technical standards and contract requirements.

Project Management

We maintain a systematic development approach even though each project is specifically designed to cater to the target market. We have established various centralized divisions to oversee and control the major steps of our developments. These centralized divisions include the investment and development division, the engineering and procurement division, the design management division, the cost management division, the finance division and the customer services and sales division. Our investment and development division is responsible for performing market and site analysis on the feasibility of potential projects and preparing the preliminary budget for each new project. Our engineering and procurement division manages our material procurement and project construction. Our design management division is responsible for ensuring that construction is conducted in accordance with our planning, project design and construction drawings. Our cost management division focuses on cost control in our project development process, particularly land acquisition, project planning and design, construction and finance. Our finance division is responsible for providing senior management with the relevant cost and other

financial information in relation to our operations. Our customer services and sales division works with our other centralized divisions throughout the development process to ensure that our products meet market trends and regional preferences. The involvement of these centralized divisions in the process of a project development enables us to achieve consistency in project management and synergies across our various projects.

In order to effectively carry out daily development functions in projects in various cities and regions, we have established project companies in the respective cities or regions to implement the significant strategic decisions by our centralized divisions.

Procurement

We directly purchase certain major building materials and equipment such as aluminum alloys and elevators from suppliers and engage them for the installation of such materials and equipment. The amount paid for materials directly procured by us constitutes only a small portion of our total costs of materials because most construction materials are procured through our construction contractors. We have established a screening and bidding process to select material suppliers. We make decisions in selecting suppliers based on a set of factors including product quality, production capacity, management and implementation capability, track record and after-sales services. Our construction contractors are responsible for procuring most construction materials. For procurement of key construction materials, we typically designate a few brands which the contractors are required to procure.

Project Construction

We have historically contracted out all of our construction work to independent construction companies. These construction companies carry out various work including foundation leveling, civil engineering construction, equipment installation, internal decoration, landscaping and various engineering work. Under relevant PRC laws and regulations, a construction company is required to hold the relevant construction qualification certificate for the type of construction it undertakes. We have guidelines for selecting construction companies and typically invite at least three qualified construction companies to bid through a tender process. We limit our selection of construction contractors to those which have obtained the relevant construction certificates and necessary licenses, including construction enterprise qualification certificates, safety permits and permits for production of industrial products. When selecting construction contractors, we consider various factors including quality and safety, reputation, track record in similar-size projects, technical and construction capabilities and proposed construction schedule and price.

The construction contracts we enter into with construction companies typically provide for the completion date of the construction projects, quality and safety requirements mandated by relevant PRC laws and regulations and our quality standards and other specifications. Our construction contracts generally provide progressive payment arrangements according to construction phases until approximately 95% of the total contract price is paid. We typically withhold 5% of the contract sum for one to two years after the completion of construction as the additional quality warranty retention. In 2018, 2019 and 2020, we did not experience any material problems with services provided by our third-party construction contractors.

Quality Control and Construction Supervision

We emphasize quality control and adopt our quality control procedures to ensure that our properties and services comply with relevant rules and regulations relating to quality, safety and total permitted GFA and meet market standards. We adopt written selection and specification requirements for procurement of each type of material and equipment, including brand requirements, quality, technical standards, sample inspection and random quality inspection. We impose ingredient specifications for certain important construction materials such as cement. In addition, construction materials must go through the procedures of submission, sampling and testing before they are used in our projects.

We have adopted a construction plan design manual, which sets out the general classifications and illustrative guidelines for the quality specifications and parameters of our construction projects. It contains various aspects of design requirements, including construction and decoration, structural design, power supply, drainage and air conditioning systems, as well as environmental protection matters. In addition, we have adopted a manual for the general design of residential projects, which sets out the guidelines and requirements for our residential developments by classes and standards in terms of applications, environmental and economic functions, safety, and durability.

We have formulated internal control standards and procedures to regulate all major processes and procedures in our construction works. We require external contractors to adhere to the guidelines in respect of our standards and procedures, comply with relevant PRC laws and regulations in carrying out their work, and report any deviations and instances of non-compliance. Our project engineers perform on-site supervision during our construction process and conduct progressive inspections at each construction phase. We assign evaluation teams to perform on-site evaluation reviews of our existing contractors periodically with respect to construction quality, safety control and their compliance with the relevant PRC regulations and standards relating to building materials and workmanship. We also prepare detailed quality evaluation reports for each unit of our projects after construction completion.

In addition, we engage independent third-party supervisory companies to monitor, control and manage the construction progress of our projects, including quality, cost control, safety, quality control of construction materials and equipment, and to conduct on-site inspection. Our contracts with supervisory companies generally set out payment terms, fee calculation methods and dispute resolution provisions. The supervisory fees are generally determined either at a negotiated percentage of the total construction cost of the construction project, or according to the number of supervisory personnel persons deployed. We generally make progressive payments to our supervisory companies according to construction phases until they complete the relevant services.

We are not responsible for any labor problems in respect of workers employed by our contractors or accidents and injuries that may be incurred by those workers on our construction sites if such accidents or injuries were not caused by us. These risks are borne by our contractors as provided for in our contracts with them. During the three years ended 2020, we were not aware of any non-compliance by the construction contractors of the PRC laws and regulations relating to environmental protection, health and safety or labor disputes raised by our contractors or subcontractors.

We provide our customers with a warranty for the quality of the structure of the construction pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》). In addition, we also provide a quality warranty on certain fittings and fixtures, if applicable, usually for a period of two years according to the published national standards.

Pre-Sale

In line with market practice, we pre-sell properties prior to the completion of their construction. Under applicable PRC laws and regulations, the following conditions must be met prior to commencing any pre-sale of any particular property development:

- the land premium has been fully paid and the relevant land use rights certificate has been duly issued;
- the construction land planning permit, construction works planning permit and the construction works commencement permit have been duly issued;
- the funds contributed to the property development may not be less than 25% of the total amount required to be invested in the project;
- the progress and the expected completion date and delivery date of the construction work have been ascertained; and
- a pre-sale permit has been duly issued by the relevant construction bureau or real estate administration authority.

In addition, our pre-sale activities are subject to the relevant regulations of the cities where our property projects are located. Our Directors confirm that we complied with the relevant regulations in relation to the pre-sale of properties in the cities where we have undertaken pre-sale activities and we did not encounter any defaults committed by our customers in pre-sales or sales contracts that had a material adverse effect on our business operations or financial condition in 2018, 2019 and 2020. See the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — We are exposed to contractual, legal and regulatory risks related to pre-sales."

Sales and Marketing

Our sales team in our customer services and sales division is responsible for executing our overall marketing strategy and sales and product promotion plans. We provide training programs and courses to our sales staff with different levels of experience. Our sales team conducts market analysis, prepares promotional designs and project brochures, organizes on-site promotions, arranges advertising campaigns, recommends pricing, sets sales-related policies and manages our customer relationships.

We cooperate with Centaline and World Union to jointly promote our products across different regional markets in China. Through cooperating with Centaline and World Union, we believe that we are able to share their national and regional market research and information, sell and pre-sell our properties through their property sales network in China and promote our products with their professional assistance and resources. We generally enter into one-year non-exclusive sales agency agreements for the sales agency services provided by Centaline and World Union on a project-by-project basis. Pursuant to these agreements, their project teams assist with our marketing and sales. In mainland China, all of we, Centaline and World Union may conduct on-site sales through the respective on-site sales representatives. Project managers from us and Centaline or World Union are jointly responsible for monitoring the overall sales and supervising their respective sales personnel, who are subject to the relevant joint sales administration agreements entered into between Centaline or World Union and us. In general, the price, discount and all other conditions of sales conducted by Centaline or World Union and us for the same project are identical. Under these agreements, Centaline and World Union are generally entitled to a sales commission upon the execution of the relevant property purchase contract. We believe that the range of the sales commission we pay to Centaline and World Union is in line with industry practice. The sales commission is calculated and settled in cash at the end of each calendar month during the term of the sales agency agreement. Going forward, we will continue to improve the management of our sales through our sales team and intend to engage professional property sales agencies to carry out marketing and sales services for our property projects in China.

We promote our products through various media including newspapers, the Internet, television, radio and outdoor billboards. We also conduct advertising campaigns by means of direct mail, phone text messages, and project promotional materials. As part of our sales strategy, we conduct on-site promotion and display units to potential customers.

Delivery and After-Sales Services

We endeavor to deliver our products to our customers in a timely manner. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections to ensure the quality of our properties. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project or project phase has passed the requisite inspections and is ready for delivery, our customer services and sales division will notify our customers, and together with representatives of the construction contractors and third-party supervisory companies, inspect the properties prior to delivery to ensure quality. Furthermore, our customer services and sales division generally assists the purchasers of our properties with mortgage financing applications, title registrations and obtaining their property ownership certificates.

Our after-sales services is customer-oriented. Our objective is to ensure continued customer satisfaction. Our customer services and sales division is responsible for our after-sale services for each of our various projects. We offer multiple communication channels for our customers to provide feedback and complaints about our products or services, including a customer service telephone hotline. We also study customer satisfaction through third-party research. We also cooperate with our property management companies to handle customer complaints. We seek to make timely adjustments to products and services to meet our customers' needs. As part of our after-sales services, we provide our existing customers with "Joy Club" (佳族會), our internal bimonthly publication, to introduce our culture, brand, various projects and promotional activities.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require a purchaser to pay a deposit no less than RMB30,000 upon signing of a preliminary sale and purchase agreement. A formal sale and purchase agreement would be arranged within seven days. If the purchaser later decides not to enter into a formal sale and purchase agreement, the purchaser will forfeit the deposit. The

purchasers typically make a down payment as required by the applicable regulations on the date of execution of the formal sales and purchase agreement. Mortgage applications and approvals are the purchaser's own responsibility, and we assist them on an as-needed basis. The payment terms of sales and pre-sales of properties are substantially identical.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans they offer to our purchasers. These guarantees are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property and (ii) the issuance of property ownership certificate for the mortgaged property and the completion of the registration of the mortgage, which is generally available within six months to one year after the purchaser takes possession of the relevant property. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB30,587.4 million, RMB32,816.5 million and RMB27,272.6 million (US$4,179.7 million), respectively. In 2018, 2019 and 2020, we did not experience any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans. See "Risk Factors — Risks Relating to the Business — We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

Property Management

We provide property management services through Kaisa Prosperity Holdings Limited, our subsidiary, which holds property management companies currently managing the properties. All these companies are our indirect subsidiaries. The property management agreements between our property management companies and the property owners set forth the scope and the quality requirements of the services provided by our property management companies. Our property management companies typically provide after-sales services to purchasers of our properties, including maintenance of public areas and facilities, rental of car parking spaces, security, operation of clubhouse, gardening and landscaping and other services. The property management agreements also set forth the payment arrangements of management fees. In 2018, 2019 and 2020, we derived revenue from our property management services of RMB516.2 million, RMB912.3 million and RMB1,349.2 million (US$206.8 million), respectively. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. As of December 31, 2020, owners of all of our property developments who had become statutorily entitled to choose their property management companies continued to choose our property management companies to manage their properties. See "Risk Factors — Risk Relating to Our Business — Property owners may terminate our engagement as the provider for property management services."

On June 22, 2018, we proposed to spin-off and separately list the shares of our subsidiary, Kaisa Prosperity Holdings Limited, which is the holding company of our property management business, on the main board of the Stock Exchange. The Stock Exchange has confirmed we may proceed with the proposed spin-off. On June 22, 2018, Kaisa Prosperity Holdings Limited submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, its shares on the main board of the Stock Exchange. On December 6, 2018, the spin-off and listing of Kaisa Prosperity Holdings Limited on the Stock Exchange was completed. We believe the spin-off is commercially beneficial for the following reasons, including, among others, the spin-off will provide opportunity for us to realize the value of investment in our property management business under a separate standalone platform, and allow Kaisa Prosperity Holdings Limited to gain direct access to capital market to improve its operating and financial performance. As of the date of this offering memorandum, we hold approximately 67.18% of the total issued share capital of Kaisa Prosperity Holdings Limited. In connection with the spin-off, we have designated Kaisa Prosperity Holdings Limited as an Unrestricted Subsidiary under the Existing Notes. Similarly, Kaisa Prosperity Holdings Limited will be an Unrestricted Subsidiary under the Notes.

Hotel Development and Operation

We currently operate four hotels in Shenzhen, two in Huizhou, one in Zhuhai, one in Liaoyang and one in Suizhong. The three hotels in Shenzhen and the one in Zhuhai are being operated under our own brand "Kare (可域酒店)". We, through Marriott, operated Marriott Golden Bay Resort, an ocean front hotel located on Jinshawan Beach in Shenzhen. Shenzhen Kaisa Golden Bay International Park has a site area of 869,838 sq.m. and a total GFA of 516,400 sq.m. We intend to

redevelop it to further enhance its attraction to individual and corporate customers and marketability. According to our current preliminary redevelopment plan, the redeveloped complex is expected to consist of a number of renovated hotel and serviced apartments.

We intend to launch a few new hotels under our own brands "Kare (可域酒店)" and "Orientino Hotels (鉑域酒店)" in the near future. We will also engage internationally recognized hotel management companies to manage and operate some of our hotels upon the completion of their construction. We believe that by engaging hotel management companies to manage our hotels, we will be able to benefit from their reputation and brand recognition, hotel management and operating experience, an advanced management model as well as global reservation systems and employee training programs.

Investment Properties

We develop commercial properties such as office buildings, retail stores and car parking spaces for leasing purposes. We believe these properties help to maintain our recurring revenue. Our commercial leases are generally for terms of three to four years. If there are anchor tenants renting relatively large areas at our commercial properties, or whose presences are expected to attract other tenants, we may consider offering them leases for terms of between ten and 20 years, with annual rental reviews with reference to fixed percentage increases. Rents are typically determined based on prevailing market rates and calculated on a per square meter basis. We may choose to sell the commercial properties we have developed when we believe that sales would generate a better return on investment than rental. We intend to retain certain of our commercial properties under development and for future development for long-term investment purposes. In managing our investment property portfolio we will take into account estimated long-term growth potential, overall market conditions and our cash flows and financial condition. The rental income derived from our investment properties represented 0.7%, 0.9% and 1.0%, respectively, of our revenue in 2018, 2019 and 2020.

Properties Used by Us

Our corporate headquarters is in Shenzhen Kerry Center, located in Luohu District, Shenzhen, with a GFA of approximately 542 sq.m. Our office premises in Shenzhen primarily consist of Rooms 3303-04 in the Kerry Center, which was acquired by us in 2006, and most of the office space on the 5th floor of the Shenzhen Kaisa Center, which was retained and owned by us since 2006. In addition, as of December 31, 2020, we rented properties in various cities in the PRC primarily as office premises.

Competition

We believe that the property markets in the Pearl River Delta region and other parts of China are highly fragmented. We compete with other real estate developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include private and public developers in the PRC and Hong Kong. Our competitors may have more experience and resources than we do. We believe we maintain a competitive position with our well-known "Kaisa" brand in the Pearl River Delta region. We have entered the Western China region, the Central China region, the Yangtze River Delta region and the Pan-Bohai Bay Rim. We believe major barriers to enter into these markets include a potential new entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. For more information on competition, please refer to the section titled "Risk Factors — Risks Relating to the Real Estate Industry in China — Intensified competition may adversely affect our business and our financial condition."

Intellectual Property Rights

As of December 31, 2020, we had registered 1,629 trademarks in the PRC and six trademarks in Hong Kong. Our other trademark applications were still under the review of the PRC Trademark Office as of December 31, 2020. We did not experience any infringement of our intellectual property rights in 2020, and we are not aware of any material unauthorized use of our brand name or logo or other forms of our brand image as of December 31, 2020. We believe that although the registration of our certain trademarks is pending, our business operation will not be materially affected. Our Directors confirm that we had not committed any infringement of intellectual property rights as of December 31, 2020.

Insurance

We maintain group accident insurance for our employees. The insurance primarily insures our employees for personal injuries in our workplace or on our construction sites. We also maintain

property damage or third-party liability insurance for our workplace, construction sites or property developments for some of our projects. Under PRC law, these types of insurance are not mandatory and may be purchased on a voluntary basis. We and our construction contractors monitor the quality and safety measures adopted at our construction sites to lower the risks of damage to our property and liabilities that may be attributable to us. We re-evaluate the risk profile of the property development business and adjust our insurance practices from time to time. We believe we have sufficient insurance coverage in place and that our insurance practice is in line with the customary practice in the PRC real estate industry.

However, there are risks that are not covered, and we are self-insured for money losses, damages and liabilities that may arise in our business operations. See the section entitled "Risk Factors — Risks Relating to the Business — We may suffer certain losses not covered by insurance."

Employees

As of December 31, 2020, we had approximately 17,100 full-time employees.

The remuneration package of our employees includes salary, bonus, share options and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. See "Risk Factors — Risks Relating to China — Our operations and financial performance could be adversely affected by labor shortages, increase in labor costs, changes to the PRC labor-related laws and regulations or labor disputes." We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

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

Environmental and Safety Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. We are required to engage qualified agencies to conduct an environmental assessment and submit an environmental impact assessment report to the relevant government authorities for approval before construction begins. Under relevant PRC laws and regulations, when there is a material change in respect of the construction site, or the scale or nature of a project, a property developer must submit a new environmental impact assessment report for approval. During the course of construction, the property developer and the construction companies must take measures to minimize air pollution, noise pollution and water and waste discharge. Upon completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been met. The resulting report is then submitted together with other specified documents to the local construction administration authorities for the record. From November 20, 2017, after the construction project has been completed, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects. See the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — Potential liability for environmental damages could result in substantial cost increases."

During the course of property development, our construction may result in the creation of dust, noise, waste water and solid construction waste. Our construction contractors, under the construction contracts, are responsible for performing all necessary measures to prevent pollution and enhance environmental control of the construction sites and to comply with relevant laws and regulations. We endeavor to comply with relevant PRC laws and regulations on environmental protection and safety by (i) engaging qualified construction contractors and requiring the construction contractors to take steps to minimize adverse environmental impact during construction and to be responsible for the final clean up of the construction site, (ii) monitoring the project at every stage to ensure the construction process is in compliance with the environmental protection and safety laws and regulations, and (iii) requiring the construction contractors to immediately remedy any default or non-compliance.

Inspections of each of our completed property projects by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition.

In 2018, 2019 and 2020, we did not experience any material environmental pollution incidents and we incurred insignificant costs in connection with our compliance with environmental and safety laws and regulations. All of our completed property projects and properties under construction had received the requisite environmental approvals according to the timeline imposed by the relevant PRC government authorities.

We monitor the safety measures adopted by our construction contractors and safety aspects of the construction process through engaging independent third-party supervisory companies to oversee compliance with environmental and health and safety laws and regulations. See "— Quality Control and Construction Supervision" for further details. In relation to workplace safety on our construction sites, our construction contractors are generally responsible for any accidents or injuries not caused by us. We also require our construction contractors to purchase accident insurance to cover their workers and to adopt appropriate safety measures, including providing workers with safety training.

We believe that our operations are in compliance with currently applicable national and local environmental and health and safety laws and regulations in all material respects. We intend to continue to comply with relevant PRC environmental and health and safety laws and regulations, to engage only qualified construction contractors with good environmental protection and safety track records and to require the construction contractors to strictly comply with relevant laws and regulations relating to environment and health and safety and to maintain appropriate insurance. We will also continue to educate our employees in relation to the importance of environmental and safety and health issues and to keep abreast of developments in PRC environmental laws and regulations.

Internal Control

We engaged Grant Thornton Advisory Services Limited, an external professional adviser, in August 2016 to conduct an independent internal control review and to assist our management to improve our internal control system. We have adopted various measures to enhance our internal control procedures. The enhanced internal controls measures include: (1) segregating the internal audit function from the operational functions, (2) assigning the internal audit function to handle the whistle-blowing function, (3) strengthening document retention procedures, (4) strengthening approval procedures on the use of company chops, (5) defining detail requirements on supporting documents for accounting recording, (6) putting in place guidelines specifying documents for accounting personnel's inspection before release of on-line bank payment, (7) segregating fund sourcing and internal fund transfer functions and implementing additional control procedures, (8) enforcing restrictions on transactions with fund remittance agents, (9) implementing policies and procedures on transactions of significant monetary amounts or transactions not in the normal course of business, (10) setting up automatic approval processes in the office automation system in line with delegation of authority and (11) introducing collective approval from the board in approving transactions involving significant monetary amounts. Our board of directors considered that our enhanced internal control system was adequate and effective.

Legal Proceedings And Material Claims

In 2018, 2019 and 2020, we were involved in legal proceedings or disputes in the ordinary course of business, including claims primarily relating to contract disputes with our contractors, our purchasers and financial institutions. We are currently involved in certain outstanding lawsuits with some financial institutions, contractors, co-development partners, tenants and individuals. Other than the aforementioned, we are not implicated in or aware of any other material legal proceedings or claims currently existing or pending against us. See the section entitled "Risk Factors — Risks Relating to the Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations, and may face significant liabilities as a result."

In 2018, 2019 and 2020, we did not encounter any circumstances that led to material construction delays or received any material claims from our customers for our failure to complete any pre-sold project on time or for our delay in the delivery of ownership certificates except as disclosed in this offering memorandum. See the section entitled "Risk Factors — Risks Relating to the Business — We may not be able to complete our projects according to schedule or on budget."

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

The PRC Legal System

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

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

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

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

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

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed in June 1981, the Supreme People's Court. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

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

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

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007 August 2012, and June 2017 respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

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

Establishment of a Real Estate Development Enterprise

According to the PRC Law on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the NPC, effective in January 1995, amended in August 2007, August 2009 and August 2019 (effective in January 2020), a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council in July 1998, and amended on January 8, 2011, March 24, 2019 and November 29, 2020 respectively, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals or filings relating to foreign investments in China.

On June 26, 2018, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version) (《外商投資准入特別管理措施(負面清單) (2018年版)》) effective from July 28, 2018. On June 30, 2019, MOFCOM and the NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access

(2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) which will replace the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version) effective from July 30, 2019. On June 23, 2020, MOFCOM and the NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) which will replace the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) effective from July 23, 2020.

In July 2006, the MOHURD, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce ("SAIC", which has been reorganized as the State Administration for Market Regulation) and SAFE jointly issued an Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資進入和管理的意見》), which provides, among other things, that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a foreign invested real estate enterprise ("FIREE") in accordance with applicable PRC laws and may only conduct operations within the authorized business scope. The joint opinion attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of approval certificates and business licenses to one year, restricting the ability to transfer equity interests of a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use rights not obtained. In addition, the joint opinion also limits the ability of foreign individuals to purchase commodity residential properties in China.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (《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 50"). Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

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

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment (《關於進一步做好利用外資工作的若干意見》), promulgated by the State Council on April 6, 2010, except where approval by the relevant departments under the State Council is required by the Catalog of the Projects which Shall be Approved by the Government (《政府核准的投資項目目錄》), foreign investment in encouraged and permitted industries with a total investment of US$300 million or less must be examined and approved by NDRC branches at the provincial level. Pursuant to the Notice on Issues Related to Devolution of Authority of Examination and Approval of Foreign Investment (《關於下放外商投資審批權限有關問題的通知》), promulgated by MOFCOM on June 10, 2010, which was abolished on January 1, 2020 MOFCOM branches at the provincial level are responsible for the examination and approval of establishment and modifications of foreign-invested enterprises in encouraged or permitted industries with a total investment of less than US$300 million and with a total investment of less than US$50 million in restricted industries.

On November 11, 2015, MOFCOM and SAFE jointly issued the "Circular on Further Improving the Record-filing for Foreign Investment in Real Estate" (《關於進一步改進外商投資房地產備案工作的通知》) which was abolished on January 1, 2020. According to this circular, the record-filing procedure has been cancelled. On September 3, 2016, the Standing Committee of the NPC adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the SAIC issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (《外商投資企業設立及變更備案管理暫行辦法》) which was revised on July 30, 2017 and June 29, 2018 (effective on June 30, 2018) and was abolished on January 1, 2020. On January 14, 2017, NDRC issued the Circular on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version)(《關於做好貫徹落實《政府核准的投資項目目錄(2016年本)》有關外資工作的通知》), according to which, 1) any project of the restricted category with a total investment (including capital increase) for USD300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for USD2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than USD300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing. On February 28, 2018, MOFCOM and SAIC jointly issued the "Notice on Relevant Matters Concerning the Acceptance of Applications for MOFCOM Filing and AIC Registration of Foreign Investment Enterprises at a Single Window with a Single Form" (《關於實行外商投資企業商務備案與工商登記"單一窗口、單一表格"受理有關工作的通知》) under which, since June 30, 2018, applications for MOFCOM filing and registration with administration for market regulation of foreign investment enterprises which are not subject to special administrative measures of foreign investment entry, should be accepted at a single window with a single form nationwide. Subsequently on June 29, 2018, MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises which came into effect from June 30, 2018. On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC or the Foreign Investment Law (《中華人民共和國外商投資法》) with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

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

On December 26, 2019, the State Council issued the Regulation on Implementing the Foreign Investment Law of the People's Republic of China effective from January 1, 2020. On December 30, 2019, MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Information Report of Foreign Investment (《外商投資信息報告辦法》), according to which, since January 1, 2020, the relevant reports to the commerce authorities through the enterprise registration system will be required for the establishment of foreign-invested enterprises and the subsequent changes, instead of filing with or obtaining approvals from the commerce authorities. The Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises has been abolished since January 1, 2020.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000 and amended in May 2015 and December 2018, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

Development of a Real Estate Project

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council in May 1990 and as amended in November 2020, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

At the stages of examination, approval or record-filing for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources (which has been reorganized as the Ministry of Natural Resources) in March 1999 and amended on November 30, 2010 and November 2016 respectively, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended in November 2004, November 2008 and November 2016 respectively. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the NPC in October 2007 and amended in April 2015 and April 23, 2019 and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Expropriation of Compensation for Housing on State-owned Land (《國有土地上房屋徵收與補償條例》) promulgated by the State Council and implemented in January, 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land for the need of public interest, the owners of the housing being expropriated shall be offered a fair compensation.

Compensation offered by governments at municipal and county levels that make housing expropriation decisions regarding parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for the value of housing being expropriated may not be less than the market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated must be appraised and determined by a real estate price appraisal institution with corresponding qualifications according to the housing expropriation appraisal measures. A party that objects to the appraised value of the housing being expropriated may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for authentication.

The parties whose housing is being expropriated may choose monetary compensation, or may choose to exchange the property rights of the housing. If the parties whose housing is being expropriated choose to exchange the property rights of the housing, governments at municipal and county levels must provide housing used for the exchange of property rights, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property rights. If residential housing of an individual is expropriated due to renovation of an old urban district and the individual chooses to exchange for the property rights of the housing in the area being renovated, governments at municipal and county levels that make housing expropriation decisions must provide the housing in the area being renovated or the nearby area.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the MOHURD in June 2014 and amended in September 2018. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (《國務院辦公廳關於加強和規範新開工項目管理的通知》) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) as amended in October 2017 and April 2019, which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings (《民用建築節能條例》), which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. According to the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) which were promulgated by the MOHURD in December 2013, after completion of work for a project, a property developer is required to apply for the acceptance examination to the property development authority under the people's government on or above the county level and report details of the acceptance examination, upon which the "Record of acceptance examination upon project completion" is issued. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination is required to be carried out for each completed phase.

Land for Property Development

In April 1988, the NPC amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the National People's Congress amended the Land Administration Law (《中華人民共和國土地管理法》) to permit the transfer of land use rights in accordance with the laws and regulations.

Pursuant to the Measures on Disposal of Idle Land (《閑置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, idle land fees may be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights may be forfeited to the government without compensation to the developer if the land has not been developed for two years as required by the laws and regulations, and allotted for other purposes. Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation. Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources (《招標拍賣掛牌出讓國有土地使用權規定》) in May 2002 and amended in September 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement. Under the Regulation on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources on June 11, 2003, except for a project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmland.

The Notice on Issues Relating to Strengthening the Land Control (《關於加強土地調控有關問題的通知》) promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, the NPC adopted the PRC Property Rights Law (《中華人民共和國物權法》), which became effective on October 1, 2007 and has been superseded by the Civil Code of the PRC (《中華人民共和國民法典》) since January 1, 2021. According to the Civil Code of the PRC, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

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

In November 2007, the Ministry of Land and Resources, the Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserves (《土地儲備管理辦法》) as amended in January 2018, pursuant to which, local authorities should reasonably decide the scale of land reserves in accordance with the macro-control of the land market. Idle, unoccupied, and low-efficient state-owned construction land inventory shall be used as land reserves in priority.

In December, 2007, the Ministry of Land and Resources promulgated the Rules on Land Registration (《土地登記辦法》), which further stresses payment in full of the land premium prior to the application for the registration of state-owned construction land use rights. In December 2017, the Rules on Land Registration was abolished.

In November 2009, the MOF, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Unfolding of the Special Project to Address Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Area Ratio (《關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知》) which re-emphasized the need to rectify, investigate and punish real estate developing companies committing any unauthorized adjustment of the floor area ratio.

In March 2010, the Ministry of Land and Resources promulgated the Notification on Issues Relating to Strengthening the Supply and Regulation of the 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》) which adopted measures to improve the regulation of land for real estate development. These include, among others, measures to improve the preparation and implementation of the plan of land supply, guarantee the supply of land for supportive housing development, improve the regime of public tender, auction and list-for-sale of land use right, enhance the supervision on the use of land, disclose information on the supply and grant of land and the status of the construction project on the land to the public, and conduct special inspection on outstanding problems in the field of land use.

Pursuant to the notification, the administration of land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the respective administration of land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons of delay to the respective administration of land and resources no later than 15 days prior to the expiration. The developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new transactions of land grant for at least one year. Additionally, the land used for developing supportive housing, small-to-medium-size self-used residential commodity housing and reconstructing shantytown shall not be less than 70% of the total land supply for residential property development. The lowest land premium for the grant of land use right shall not be lower than 70% of the benchmark price for the land grade the granted land locates, and the deposit for the participation of tender shall not be lower than 20% of the lowest land premium. The land grant agreement shall be executed in writing within 10 days after the deal is reached, the down payment of the land grant price which shall not be less than 50% of the full land grant price shall be paid within one month after the land grant agreement is executed, and the land grant price shall be paid in full no later than one year after the land grant agreement is executed. A developer who defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of land grant agreement shall be banned from participating in any transactions of land grant for a certain period.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban Development jointly promulgated the Notice of Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for economically affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years since commencement of the construction; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for social security housing projects, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties will report to the Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for commodity property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On February 15, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (《國土資源部關於做好2012年房地產用地管理和調控重點工作的通知》). The notice provides that:

- **The real estate control policy shall be firmly performed and the key tasks shall be clarified.** The real estate land administration and control is confronting fundamental requirements and key tasks that the control policy by central government shall be strictly implemented, the supervision and control shall be strengthened, while the price of real estate and land shall be stable and reasonable.
- **The real estate land supply shall be properly managed for the purpose of the welfare of the masses.** Relevant authorities shall compile the annual supply plan of land for residential purposes of year 2012 from a scientific and reasonable perspective. The planned land supply quantity shall be no smaller than the average quantity of the recent five years, no less than 70% among which shall be designated for social security housing projects, housing for redevelopment of shanty towns and small/medium residential units. The supply of land for social security housing projects shall be guaranteed. The supply of high-end housing land shall be strictly controlled and no land shall be permitted for the development of villas.
- **The land supply for social security housing projects shall be guaranteed.** The construction land permission procedure for social security housing projects shall be accelerated.

- **Unlawful acts shall be strictly punished and the development and construction shall be vigorously encouraged.** Unlawful acts, including any of the following ones, shall be prohibited: a land use right is granted over a parcel of land where the land area exceeds the size approved by the relevant competent authorities; more than one parcel of land is granted to the same bidder at the same time; a land use right is granted over a parcel of land where the demolition of buildings erected on such land has not been carried out of the occupants of such land have not been compensated for the demolition and resettlement; a land use right is granted over a parcel of land with a plot ratio of less than one. A reporting system shall be implemented according to which, when concluding a land grant contract, a provision providing land users report to land and resources authorities in a written form before or at the commencement and completion of a project.
- **Supervision analysis and media propaganda shall be strengthened to provide a positive guidance towards the market.** Relevant local departments shall strengthen the supervision over land price. A record filing system of abnormal land purchases shall be implemented and improved.

On May 22, 2012, the Ministry of Land and Resources amended the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which were originally published in April 1999. This amendment includes the following significant changes or new provisions:

- **Emphasizing the key purposes of regulating idle land.** The current version of Measures on Disposal of Idle Land re-emphasize the importance of suppressing intentional reservations of land for the purpose of resale. For example, it provides that if the real estate developer intentionally delays the commencement of construction and development for the purpose of reserving the land for resale with bad faith, and before the condition of such land is reviewed and disposed of by the government, the government should neither accept new applications for land use by the same holder of land use rights, nor register the status of transfer, lease, mortgage or information change of the land considered to be idle.
- **Readdressing the disposal method of idle land.** Consistent with the April 1999 version, the amended Measures on Disposal of Idle Land once again addressed the method of disposal of idle land. If the real estate developer fails to commence the construction and development of the land for one year, the government should issue the Notice on Imposition of Land Idleness Penalty Fees to the holder of land use right. The penalty fees should be 20% of the price that the holder paid for obtaining the land use right. If the holder of land use rights failed to commence the construction and development of the land for two years, the government should issue the Notice on Decision of Withdrawal of Land Use Right to the holder, thereby withdrawing the holder's right to use land for free. However, compared with the 1999 version, the amended Measures on Disposal of Idle Land specify the procedure for determining and disposing of idle land, including:

  1. Once relevant governmental authority suspects that a tract of land has become idle, it should initiate investigation within 30 days therefrom and issue a "notice on investigation of idle land" to the holder of land use right. The holder of land use right should submit explanatory materials about the development condition and reason for land idleness to the government within 30 days upon the receipt of such notice.

  2. After investigation, if the government decides that the investigated land has become idle, it should issue a "notice on confirmation of idle land" to the investigated holder of land use rights, which will specify the facts and grounds for determining that the land concerned has become idle. Relevant information of the idle land will also be published on the governmental authority's official website after issuance of such notice.

3. If the idleness of land was caused by the real estate developer rather than the government, the governmental authority is entitled to impose penalty fees for the idleness or even withdraw the decision for granting the land use right. However, before such penalty decisions are made, the government should notify the holder of the land use rights that the holder has the right to request a hearing.

4. Once the government decides to impose penalty fees for land idleness, it should issue a "notice on imposition of land idleness penalty fees" to the holder of the land use rights, and the owner should pay the penalty fees within 30 days upon the receipt of the notice. If the government decides to withdraw the decision for granting land use right, the government should issue a "notice on decision of withdrawal of land use rights" to the holder, and the holder should cancel the registration of its land use rights from government's record within 30 days upon its receipt of such notice.

- **Specifying the circumstances where the delay of commencement of construction and development was caused by the government.** If the delay of commencement of construction and development was caused by the government, the real estate developer will not be directly subject to penalties for delays caused by the developer itself. The amended Measures on Disposal of Idle Land specify the following circumstances where the delay of commencement of construction and development is considered to be caused by the government:

  1. Where the land fails to be delivered to the holder of the land use rights in accordance with the time limit and conditions as prescribed in the land transfer contract or the land allocation decision, with the result that the conditions for commencing the construction and development of the project are not met;

  2. Where relevant land-use planning is modified, with the result that the owner of the land use rights cannot commence construction and development;

  3. Where the land-use planning and construction conditions need to be modified in light of new policies issued by the government;

  4. Where the construction and development of the land cannot be commenced due to complaints lodged by the general public in connection with the land;

  5. Where the construction and development of the land cannot be commenced due to military control or protection of historic and cultural relics; and

  6. Where other acts of any government or government agency cause the delay.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於印發《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知》) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0. The MOHURD and the Ministry of Land and Resources jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (《關於加強近期住房及用地供應管理和調控有關工作的通知》) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing: where such period is longer than 36 months, no more land is to be supplied; land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months; more land shall be provided in the case of a period of longer than six months but shorter than 12 months; however, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. On May 21, 2021, MOF, the Ministry of Natural Resources, STA and PBOC jointly issued the Notice on Relevant Issues to

Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums (《關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知》) under which, the tax administrations, instead of natural resources authorities, will be responsible for the collection of state-owned land use rights grant premiums, mineral resources special revenues, sea area use premiums and uninhabited islands use premiums and the pilot scheme has started from July 1, 2021 in certain selected provinces and will be carried out nationwide from January 1, 2022.

Sale of Commodity Houses

Under the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area promulgated by the Ministry of Construction in November 1994 (《城市商品房預售管理辦法》), as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction planning permit and a construction permit have been properly obtained;
- funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been properly ascertained; and
- a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit a real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

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

The *Provisions on Sales of Commodity Properties at Clearly Marked Price* (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available

for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Transfer of Real Estate

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another natural person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a written real estate transfer contract and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of Land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

Leases of Buildings

The Measures for Administration of Lease of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the MOHURD on December 1, 2010 and implemented on February 1, 2011, requires parties to a leasehold arrangement of a property shall register the leasing agreement with property administrative authorities within 30 days after entering into such leasing agreement under local government at the municipal or county level where the property is situated. In addition, enterprise may be imposed a fine of RMB1,000 to RMB10,000 and individuals of RMB1,000 or less if they do not register leasing agreement within time limit required by competent authorities. On June 3, 2016, the General Office of the State Council issued the Opinions on Accelerating the Cultivation and Development of Leasing Market (《國務院辦公廳關於加快培育和發展住房租賃市場的若干意見》), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the Circular on Accelerating the Development of the Housing Leasing Market in Large and

Medium-sized Cities with a Large Inflow Population (《關於在人口淨流入的大中城市加快發展住房租賃市場的通知》, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

On September 14, 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On March 16, 2016, Shanghai Municipal People's Government promulgated the Measures for the Administration on Houses with Joint Property Rights (《上海市共有產權保障住房管理辦法》), which was implemented on May 1, 2016. On September 20, 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the Interim Measures for the Administration of Houses with Joint Property Rights (《共有產權住房管理暫行辦法》), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority. On December 13, 2019, MOHURD, NDRC and other government departments jointly issued the Opinions on Regulating the Leasing Market Order (《關於整頓規範住房租賃市場秩序的意見》).

Mortgages of Real Estate

Under the Civil Code of the PRC, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001 and March 2021, when mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

Property Financing

The Circular on Further Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》) (Yinfa [2003] No. 121) issued by PBOC on June 5, 2003 specifies the requirements for banks to provide loans for the purposes of property development and individual residential mortgage as follows:

- commercial banks shall issue loans applied for by property development enterprises on through property development loans, and shall not issue in the form of property development cash flow loans or any other forms. Any kind of loan cannot be granted for the projects which do not have land-use rights certificates, construction land planning permits, construction works planning permits and construction commencement permits. Where non-property loans are issued to property development enterprises, commercial banks shall observe the principle of "recovering only, and no issuing." The proprietary capital (owner's equity) of property development enterprises applying for loans shall be no less than 30% of the total development investment. Property loans extended by commercial banks may only be used for local housing projects and may not be used cross-regionally;
- property loans may be granted to property enterprises who are qualified for property development, rank high in credibility and have no overdue payment for construction.

Such loans must be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and must be properly restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property enterprises with commodity houses of high vacancy rate and debt ratio, strict approval procedures must be applied to their new property development loans and their activities must also be subject to close monitoring;

- loans to land reserve institutions shall be mortgage loans, the amount of which shall not exceed 70% of the assessed value of purchased lands, and the term of loans shall not exceed two years. Commercial banks shall not issue loans to property development enterprises for the purpose of paying for land premiums; and
- commercial banks shall further expand the spectrum of individual housing loans to allow more people to benefit from such loans. To reduce unnecessary interest for borrowers, commercial banks shall issue individual housing loans only to those who purchase housing where main structural development has already been completed. Where borrowers apply for individual housing loans to purchase their first residence for self-use, the ratio of down payment shall remain 20%; for second or further residences, the ratio of down payment shall be raised appropriately.

In a Circular on Facilitating the Continuously Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market, including on the lending for residential development. They included, among others, strengthening efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the CBRC on August 30, 2004, any property development enterprises applying for property development loans must have at least 35% of capital required for the development.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》), promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20%-30%. On May 24, 2006, the Opinion of MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices forwarded by the State Council (《關於調整住房供應結構穩定住房價格的意見》) (Guobanfa [2006] No. 37) reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. See "Regulations-Measures on Stabilizing Housing Price" below for more details.

The Opinion on Standardizing the Admittance and Administration of Foreign Capital in Property Market (《關於規範房地產市場外資准入和管理的意見》) enforced by MOFCOM, the MOHURD and the NDRC on July 11, 2006 provides that where any foreign-invested enterprises fails to make full payment of its registered capital, fails to obtain the land use rights certificate or fails to make its project development capital reach 35% of the total project investment amount, it shall not deal with any domestic or overseas loan and the administrative department of foreign exchange shall not approve the settlement of the foreign exchange loan thereof.

On May 26, 2010, MOHURD, PBOC, and the CBRC jointly issued the Circular on Standardizing the Assessing Criteria of the Second Home for Personal Mortgage 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》), under which a stricter standard will be adopted in assessing whether a house to be bought is a second home when granting mortgage loans. The new standard will be based on property ownership, not mortgage history, and the unit for the number of the houses will be determined in terms of family (including the borrower, his spouse and minor children), rather than individuals. Home buyers are required to provide a registration record from the local housing registration system when applying for mortgage loans. If it is impossible to check the purchasing record, loan applicants are required to submit a certification listing the

number of homes owed by the applicant's family. The banks will examine both the number of the homes owned by the applicant's family and the applicant's previous mortgage and purchasing record in order to counter speculative activities. The banks will define a loan applicant as a second-home buyer as long as the applicant has taken out a mortgage loan previously, or his family has a home ownership record in the housing registration system, or it is confirmed that his family has owned a property based on due diligence.

The Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) jointly issued by PBOC and CBRC on September 29, 2010 provides (also see in "Regulations-Measures on Stabilizing Housing Price"):

- all commercial banks shall suspend the granting of housing loans to resident families for purchasing third and further residences; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for a period of one year or longer;
- for the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price; for families who purchase a second residence with a mortgage loan, the down payment shall not be less than 50%, and the loan rate shall not be less than 1.1 times the benchmark rate; and
- all commercial banks shall strengthen the management of consumption loans, and prohibit such loans from being used for purchasing houses. For property development enterprise with idle land, that change the use and nature of land, delay the time of construction initiation or complement, hold bank housing units for future sales, or have other records of violations of laws and regulations, all commercial banks shall suspend the granting of loans to them for new development projects and suspend the extension of loans. Any commercial banks which fails to earnestly implement the differential credit policies shall be seriously punished once the issued is ascertained.

On November 2, 2010, the Ministry of Finance, MOHURD, CBRC and PBOC jointly issued the Circular on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loan for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

On March 8, 2011, the General Office of CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management (《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》), which stipulates that in handling the individual housing loan business financial institutions must strictly implement the provision that, with respect to families that purchase second residential properties through a loan, the down payment may not be less than 60%, and the loan interest rate may not be less than 1.1 times the benchmark rate.

To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (《關於進一步做好住房金融服務工作的通知》) on September 29, 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time

purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (《關於調整個人住房貸款政策有關問題的通知》) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

The PBOC and CBIRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which requires from January 1, 2021 a PRC banking financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice on Preventing Loans of Business Purposes from Flowing into the Real Estate Industry (關於防止經營用途貸款違規流入房地產領域的通知), which provided that, among others, the financial institutions should strengthen the examination on the qualification of the lenders and the demand of the loans, reinforce the management of the term of the loans and the collateral of the loans, improve the during-lending and after-lending management, and enhance the internal administration of banks and the management of intermediaries.

Real Estate 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 and May 2015 respectively, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate. However, on March 8, 2018, the Measures for the Administration of Qualifications of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Property Management was revised accordingly so that no qualification certificate is required for the property service enterprises.

Insurance

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are

usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

Measures on Stabilizing Housing Price

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, STA and CBRC jointly issued an Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.
- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the entire sales proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》),

promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20% to 30%. In May 2006, the Ministry of Construction, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格意見的通知》). These opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from transfer of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

In July 2006, the Ministry of Construction, NDRC, MOFCOM, PBOC, SAIC, and SAFE jointly issued an Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的通知》) (the "171 Opinion"). The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among others, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, SAFE and the Ministry of Construction jointly issued a Notice in Respect of Foreign Exchange Issues in the Real Estate Market (《關於規範房地市場外匯管理有關問題的通知》) (the "47 Notice") to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign invested real estate enterprise to apply for overseas loans if it has failed to pay its registered capital in full or failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Housing for Low-income Urban Families and Further Strengthening Macro-control of Land Supply (《關於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) as amended on January 1, 2010, pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low-to-medium-cost and small- to medium-size units, low-cost rental properties and affordable housing.

In November 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category. In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (《關於金融促進節約集約用地的通知》), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (《關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知》), pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20% and the interest rate applicable to personal home loans financed by provident fund has been also reduced.

In October 2008, the Ministry of Finance and STA issued the Notice on the Adjustments to Taxation on Real Property Transactions (《關於調整房地產交易環節稅收政策的通知》), pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area less than 90 square meters, individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》), which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle the market change. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the MOF and STA jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (《關於調整個人住房轉讓營業稅政策的通知》) to curtail speculation in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the

sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires each family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price on the second of more residences.

On April 17, 2010, the State Council announced a series of new measures in the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) to keep housing prices from rising too quickly in certain cities in conjunction with and subsequent to a meeting held on April 14, 2010. The new measures include, among other things:

- **Higher minimum down payment requirements**
  - o first-time home house buyers must make a down payment of at least 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more;
  - o second-time home buyers must make a down payment of at least 50% of the purchase price of the underlying property subject to a minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark one-year lending interest rate; and
  - o commercial banks should significantly increase the ratio of minimum down payment to the purchase price and the minimum mortgage loan interest rate, respectively, for buyers who purchase a third or additional houses by mortgage financing.
- **Commercial banks' right to stop lending**
  - o in regions where house prices have been increasing too quickly, commercial banks may stop granting mortgage loans to home buyers who purchase a third or any additional houses;
  - o commercial banks are required to stop granting mortgage loans to home buyers who are not local residents and cannot provide evidence of payment of tax or social insurance contribution in such local area for more than one year; and
  - o the local governments may adopt interim measures to impose limits on the maximum number of units that one family may own.
- **Punishment of speculative developers**
  - o commercial banks are not allowed to lend to developers who hold idle land or manipulate land reserve or price; and
  - o the CSRC may suspend review of applications from speculative developers for listing of shares, restructuring or refinancing.
- **Disclosure of property ownership**
  - o property developers who have filed with the local government information of the completed properties to be sold or who have obtained the pre-sale permits are required to disclose to the public the properties for sale all at once and within a specified period of time and sell the properties they develop exactly at the price provided to the local government.

On September 29, 2010, the MOF, STA and MOHURD jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), according to which, a family (including the

purchaser, the purchaser's spouse and minor children) purchasing its first ordinary residential property will enjoy a 50% reduction on deed tax payment; in case that the GFA of fore-mentioned property is less than 90 sq.m., the deed tax rate will be 1%. Individuals who purchase another residential property within one year after selling their own residential properties shall no longer enjoy exemption or reduction of individual income tax.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down-payment has been raised to 30% of the purchase price of the commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property or non-local residents who fail to provide one-year or longer tax payment certificates or social insurance payment certificates. For a mortgage on the second residential property, the minimum down-payment must be 50% of the purchase price and the interest rate must be no less than 1.1 times that of the corresponding benchmark interest rate over the same corresponding period released by the PBOC.

On January 26, 2011, the State Council issued the Notice on Further Adjustment and Control of Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) which requires, among other restrictive measures: (i) a minimum down-payment of 60% of the total purchase price with a minimum mortgage interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, local residents with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social insurance payment for a specified time period, are not permitted to purchase any residential properties located in the local administrative area.

On January 27, 2011, the MOF and STA jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (《關於調整個人住房轉讓營業税政策的通知》). Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than five years and the amount of business tax to be paid will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for five years or more, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for five years or more will be exempted from the business tax.

On July 12, 2011, the State Council announced the PRC government's intention to impose austerity measures on second- and third-tier cities. The State Council ordered the Ministry of Construction to compile a list of second- and third-tier cities that will be affected by the austerity measures.

On July 19, 2012, Ministry of Land and Resources and MOHURD issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (《國土資源部、住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》). According to this notice, the Ministry of Land and Resources, MOHURD and their respective local counterparts will continue to strictly regulate the market to prevent housing prices from rebounding. Local governments must ensure a supply of land for social security housing projects, and must try to increase the completion rate of such projects. Further, the governments will further improve the land price evaluation procedure, thereby allowing for the reasonable determination of base prices for land auction. For those auctions in which the land prices may be raised to a significantly higher level, the governments must adjust the bidding method in a timely manner. For those lands which are expected to reach unprecedentedly high prices and those lands whose final deal prices have a premium rate of more than 50%, the government should adjust the land transfer scheme in a timely manner, such as by limiting the final home prices or requiring the land purchaser to build additional social security housing projects. Further, the government will continue enforcing the system for reporting unusual transactions, which requires that governments at city-level and county-level should, within two business days upon the signing of purchase confirmation letter or the dispatch of the letter of acceptance, submit the unusual transaction data to the national land market monitoring and administration system, thereby reporting the unusual transaction to the Ministry of Land and Resources and its agencies at the provincial level.

Additionally under this notice, the government emphasizes that the scope of land to be transferred should not exceed its scope limit, and some other acts will continue to be strictly prohibited, such as combining two or more separate tracts of land into one bidding subject, or transferring land without first completing the demolition and relocation work. The floor-area ratio of residential land should be no less than 1. Further, land allocation decision or land transfer contract should require real estate developer to commence the construction and development within one year after the land has been delivered to it and to complete the construction and development within three years. The government will strictly inspect the competence of bidders so as to prohibit any bank loan from being used for the payment of land price. The deposit for land auction or bidding should not be less than 20% of the base price. After the deal of land transfer has been reached, the land transfer agreement should be signed within 10 business days, 50% of the land price should be paid within one month after the signing of the land transfer agreement and the payment of remaining land price should be made within one year. Also, the government should prohibit the purchaser from purchasing land for a certain period if such a purchaser (a) failed to pay the land price in a timely manner; (b) intentionally left the land idle; (c) intentionally reserved land for the purpose of resale; (d) developed land beyond its development capability; or (e) failed to duly perform the land use contract.

On November 5, 2012, the Ministry of Land and Resources, the Ministry of Finance, PBOC and CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration (Guotuzi Fa [2012] No. 162) (《關於加強土地儲備與融資管理的通知》(國土資發[2012]162號)) in order to strengthen land bank institutions administration, determine the reasonable scale and structure of land bank, strengthen the administration of land pre-development, reservation and protection, and regulate the financing to land reservation and the use of land reservation funds.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of State Council issued the Notice on Continuing to Effectively Regulate the Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) (the "No. 17 Notice") which requires, among other restrictive measures:

(i) *Improving the responsibility system for stabilizing housing prices.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa), must set an annual objective for controlling housing prices and publish annual new commodity housing price control target in the first quarter of the year.

(ii) *Firmly restraining purchases of residential housing for investment and speculation purposes.* Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) which have implemented restrictions on the real estate market are required to cover all administrative areas of the cities as restricted areas, and restricted housing shall include new commodity housing and second-hand housing. Non-local residents who possess one or more residential properties or fail to continuously provide a certain number of years local tax payment certificates or social insurance payment certificates are to be barred from purchasing any residential properties located in the administrative area. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the state will strictly enforce a 20% tax on home sale profits.

(iii) *Expanding supply of ordinary commercial housing and its land use.* The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years. Financial institutions, subject to credit requirements, are to prioritize requests for loans for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

(iv) *Accelerating the planning and construction of affordable housing projects.* All local regions shall actively advance the renovation of scattered shantytowns and ramshackle

buildings, gradually carry out comprehensive redevelopment of old urban residential areas, and steadily develop urban villages. It is important to reinforce planning and overall coordination, to integrate the construction of affordable housing with urban development in view of the actual needs of urbanization and improving the housing conditions of residents.

(v) *Strengthening market regulation and managing expectations.* All local regions shall raise the pre-sale threshold for commercial housing, and reinforce the management of commercial housing pre-sale licensing, so as to guide real estate developers to rationally determine housing prices, and steadily push forward the reform of the commercial housing pre-sale system.

(vi) *Accelerating the establishment and development of a long-term mechanism to guide the healthy development of the real estate market.* All relevant departments shall press ahead with the reform of the real estate tax regime, improve the housing financial system and housing land supply mechanism, and push forward the housing industrialization.

Pursuant to the "No. 17 Notice", local branches of the PBOC may further raise the minimum down-payment for the purchase of a second residential property in the case that the local housing prices are increasing at an excessively high rate. On April 7, 2013, Beijing raised the percentage of the minimum down payment for second-home purchases from 60% to 70% of the total purchase price. In October and November of 2013, certain branches of the PBOC in several major cities, such as Shanghai, Shenzhen, Guangzhou, Hangzhou, Shenyang and Changsha, also adjusted their differentiated credit extension policies based on housing types and raised the minimum down payment for second-home purchases to 65% or 70% of the purchase price.

On November 24, 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), effective from March 1, 2015, which provides for the following, among others:

i) The Competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guide and supervision by the competent real estate registration authority at the higher level.

ii) The real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the nature condition, ownership conditions of the real estate, and restriction of rights.

iii) The competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county level.

iv) Any right holder or interested party may apply for inquiring about or copying the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose and no such information may be disclosed to the public or others without the consent of the right holder.

The Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》), which took effect on January 1, 2016, authorizes the real estate registration authority to perform site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

On March 30, 2015, the MOF and STA jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (《關於調整個人住房轉讓營業稅政策的通知》). Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than two years and the amount of business tax to be paid will

be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for two years or more, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for two years or more will be exempted from the business tax.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund (《關於調整住房公積金個人住房貸款購房最低首付款比例的通知》) to further improve the policies on the personal housing loans from housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

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

On February 1, 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (《關於調整個人住房貸款政策有關問題的通知》) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (《關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知》), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations. On May 19, 2018, the MOHURD issued the Notice on Issues of Further Do Good Job of the Regulation of the Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》) which required that local governments shall formulate the residential property development plan according to their respective social development level, supply and demand of residential property and population, and certain cities shall increase the supply of construction land for residential.

On February 13, 2017, the Asset Management Association of China issued the No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions (《證券期貨經營機構私募資產管理計劃備案管理規範第4號》) which stops the filing of private equity and asset management plans of securities and futures institutions which investing into the ordinary residential real estate projects in 16 cities including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan, Chengdu etc.. It also prevents private equity and asset management plans from funding real estate development enterprises to pay land premium or supply working capital through multiple ways, including but not limited to entrusted loans, trust plans and receiving beneficial right of the assets.

Environmental Protection

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the PRC Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis

table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers. The project company shall formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects.

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) effective since January 1, 1995, the PRC Labor Contract Law effective since January 1, 2008, and the Implementing Regulations of the PRC Labor Contract Law effective since September 18, 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month from the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the eleven months' period and rectify the situation by subsequently entering into a written employment contract with the employee.

Regulation on Social Insurance and Housing Fund

As required under Regulation of Insurance for Labor Injury, Provisional Insurance Measures for Maternity of Employees, Regulation of Unemployment Insurance, the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns, the Interim Regulations on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance, business enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the noncompliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law, which became effective on July 1, 2011, to clarify the components of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund, enterprises must register at and be subject to review by housing fund administration centers with competent jurisdictions, and open accounts of housing fund for their employees with the designated banks. Enterprises are also obliged to pay and deposit housing fund in full amount in a timely manner. Any enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Foreign Exchange Controls

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by

SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad under capital account items after obtaining the prior approval from SAFE or its local office. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

On May 10, 2013, SAFE issued Notice on Printing and Distributing "the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China" and the Ancillary Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知), which includes three appendices: (i) Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investor (《外國投資者境內直接投資外匯管理規定》); (ii) List of Repealed Regulations on Foreign Exchange Administration over Direct Investment (《廢止境內直接投資外匯管理法規目錄》); and (iii) Operating Guidelines for Domestic Direct Investment Business (《境內直接投資業務操作指引》).

Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "Provisions") was promulgated on May 10, 2013 and effective on May 13, 2013, which contains a total of four chapters and 20 articles. The Provisions set out the general principles for foreign exchange control in direct investments of foreign investors and specific provisions on foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments of foreign investors. The Provisions apply to foreign investors setting up foreign investment enterprises, foreign investment projects and foreign-invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises. The Provisions also apply to domestic direct investments of investors from Hong Kong, Macao and Taiwan.

Operating Guidelines for Domestic Direct Investment Business (《境內直接投資業務操作指引》) (the "Guidelines") was promulgated on May 11, 2013 and effective on May 13, 2013, which has two parts, 23 Clauses and three tables. The Guidelines provide advice for basic information registration of prior-period costs, basic information registration of the newly established foreign-invested enterprises, foreign-invested enterprises set up through mergers or acquisitions by foreign investors, registration to conform foreign investors' cash and non-cash capital contributions, opening, entry and use of foreign exchange capital accounts, prior-period costs foreign exchange accounts, domestic asset realization accounts, domestic re-investment special accounts, security deposit special foreign exchange accounts, as well as transfer and remittance of foreign exchange funds for domestic direct investments. On March 30, 2015, SAFE issued the Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) effective from June 1, 2015, under which, a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment business (including foreign investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China by remitting the equity transfer payments in the original foreign currency by general

foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of foreign exchange (bank) of its incorporation place and open a corresponding RMB account for depositing the converted RMB funds, and the foreign-invested enterprises shall then transfer the converted RMB funds into the above RMB account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement (《關於改革和規範資本項目結匯管理政策的通知》) to further reform the foreign exchange capital settlement over the nationwide.

SAFE stressed in a post published on its website on December 31, 2016 that the authority is improving the application process for individual foreign exchange purchasing and reiterated that individuals are prohibited to buy foreign currencies to purchase overseas real estate.

According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) issued by SAFE on 26 January 2017, funds for overseas loans under domestic guarantees are allowed to be transferred back for domestic use. Debtors can transfer back, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions. SAFE promulgated the Circular to Further Promote Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) dated October 23, 2019 to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

Mainland China Taxation

Because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in the Notes.

Dividends from our PRC Operations

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the Enterprise Income Tax Laws (《中華人民共和國企業所得税法》), dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable.

Under the Enterprise Income Tax Laws, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and are subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the Enterprise Income Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Our Operations in Mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax

Under the PRC Interim Regulation on Deed Tax (《中華人民共和國契税暫行條例》) promulgated by the State Council in July 1997, implemented in October 1997 and amended in March 2019 deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

Pursuant to the Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions (《關於調整房地產交易環節契稅、營業稅優惠政策的通知》) promulgated by MOF, STA and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

(1) for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and

(2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer's household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are not subject to the above deed tax preferential treatment policies temporarily.

Effective from September 1, 2021, the Deed Tax Law of the People's Republic of China (《中華人民共和國契稅法》) will supersede the PRC Interim Regulation on Deed Tax.

Corporate Income Tax

Prior to the implementation of the Enterprise Income Tax Laws, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the Enterprise Income Tax Laws, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises. The Enterprise Income Tax Laws provided certain relief to enterprises that were established prior to March 16, 2007, including (1) continuing to enjoy the previous preferential income tax rate during a five-year transition period if such enterprises were entitled to preferential income tax rates before the effectiveness of the Enterprise Income Tax Laws; (2) continuing to enjoy the preferential income tax rate until its expiry if such enterprises were entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment had not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment was deemed to commence from January 1, 2008. In addition, according to the Enterprise Income Tax Laws, dividends from PRC subsidiaries to their foreign corporate shareholders are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the Enterprise Income Tax Laws, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and are subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign corporate shareholders that are treated as resident enterprises for the reason mentioned above will be excluded from such taxable worldwide income. Under the Enterprise Income Tax Laws, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how the Enterprise Income Tax Laws will be interpreted or implemented by relevant tax bureaus.

On March 6, 2009, STA issued the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation (《房地產開發經營業務企業所得稅處理辦法》) effective on January 1, 2008 and amended on July 16, 2014 and June 15, 2018, which specifically

stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification of calculated tax cost and tax treatment on certain matters of the real estate development enterprise according to the Enterprise Income Tax Law and its implementation rules.

On May 12, 2010, STA promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Business Tax and Value-added Tax

Under the PRC Interim Regulation on Business Tax (《中華人民共和國營業税暫行條例》) of 1994, as amended in December 2008, and the Detailed Implementation Rules of the Interim Regulation of the PRC on Business Tax (《中華人民共和國營業税暫行條例實施細則(2011年修訂)》) issued and implemented by MOF on December 25, 1993 and as amended on December 15, 2008 and October 28, 2011, services in China are subject to business tax. Taxable services include sale of real property in mainland China. The Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on land are levied a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities. On November 19, 2017, the PRC Interim Regulation on Business Tax was abolished.

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業税改徵增值税試點的通知》) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax (《營業税改徵增值税試點實施辦法》) issued by the MOF and STA on March 23, 2016. On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

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

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

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 3%

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

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

On November 19, 2017, the Provisional Regulations Concerning Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值税暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value-added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value-added tax.

According to a notice jointly issued by MOF and STA in April 2018, starting from May 1, 2018, the value-added tax rate will be lowered from 17 percent to 16 percent for manufacturing and

some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. According to a notice jointly issued by MOF, STA and the General Administration of Customs in March 2019, from April 1, 2019, the value-added tax rate of 16 percent will be further lowered to 13 percent and the value-added tax rate of 10 percent will be further lowered to 9 percent.

Land Appreciation Tax

Under the PRC Interim Regulation on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) of 1994 and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the "deductible items" as follows:

Appreciation value	LAT rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemptions from LAT are available in the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, STA, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax

authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

STA issued a further the Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax (《關於認真做好土地增值稅徵收管理工作的通知》) in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

In December 2006, STA issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題通知》), which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, STA released the Rules on the Administration of the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》), which came into force on June 1, 2009.

On May 19, 2010, STA promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, STA issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》), which provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. The notice also delegated to the local tax authorities the authority to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

On June 20, 2013, STA issued the Notice of the State Administration of Taxation on Further Improving the Collection of Land Value-added Taxes (《關於進一步做好土地增值稅徵管工作的通知》), which requires the local taxation authorities further strengthening administration on the collection of LAT, in particular, the administration on the settlement of LAT, strict examination of deductions and reduction of assessment and collection projects.

Urban Land Use Tax and Buildings Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988, amended on December 31, 2006, January 8, 2011, December 7, 2013 and March 2, 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.6 and RMB30 per square meter.

Buildings Tax. Under the PRC Interim Regulations on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, and amended on January 8, 2011, buildings tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental. On January 27, 2011, the governments of Shanghai and Chongqing respectively issued measures for implementing pilot individual property tax schemes which became effective on January 28, 2011.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) issued by the MOF and STA in January 2009, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprise.

Stamp Duty

Under the PRC Interim Regulations on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988, and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item. Effective from July 1, 2022, the Stamp Duty Law of the

People's Republic of China (《中華人民共和國印花税法》) promulgated on June 10, 2021 will supersede the PRC Interim Regulations on Stamp Duty.

Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax (《中華人民共和國城市維護建設税暫行條例》) promulgated by the State Council in 1985, and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》) issued by State Council on October 18, 2010, the municipal maintenance tax is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

Effective from September 1, 2021, the Municipal Maintenance Tax Law of the People's Republic of China (《中華人民共和國城市維護建設税法》) will supersede the PRC Interim Regulations on Municipal Maintenance Tax.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council in April 1986 and amended on June 7, 1990, August 20, 2005 and January 8, 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》) issued by State Council on October 18, 2010, the education surcharge is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

Shenzhen City Reform Measures

The People's Government of Shenzhen City published the Shenzhen City Reform Measures (《深圳市城市更新辦法》) on October 22, 2009. Under the Shenzhen City Reform Measures, "City Reform" refers to comprehensive clearing, redeveloping and resettlement activities within specified old urban areas, including old industrial zones, old commercial districts, "town-in-city" and old towns. On November 12, 2016, the People's Government of Shenzhen City amended the Shenzhen City Reform Measures. In March 2019, the Planning and Natural Resources Bureau of Shenzhen Municipality issued the Master Planning of Comprehensive Improvement of Urban Village (Old Village) of Shenzhen (2019-2025) (《深圳市城中村(舊村)綜合整治總體規劃(2019-2025)》).

Certain Opinions on Promoting Redevelopment of "Three Types of Old Urban Areas" and Economic Use of Land

On August 25, 2009, the People's Government of Guangdong Province published Certain Opinions on Promoting Redevelopment of "Three Types of Old Urban Areas" and Economic Use of Land (《關於推進(三舊)改造促進節約集約用地的若干意見》), which set forth the general guidelines and requirements for redevelopment of old towns, old factories and old villages, namely "Three Types of Old Urban Areas", within Guangdong Province. On September 14, 2016, the People's Government of Guangdong Province issued the Notice on Promoting the Redevelopment Level of "Three Types of Old Urban Areas" and Economic Use of Land (《關於提升(三舊)改造水平促進節約集約用地的通知》). On April 4, 2018, the Department of Natural Resources of Guangdong Province issued the Implementing Opinions on Deepening the Redevelopment Work of "Three Types of Old Urban Areas" (《關於深入推進"三舊"改造工作的實施意見》).

Outbound Investment Administration of NDRC

On December 26, 2017, NDRC issued the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), or the Measures, effective from March 1,

2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. Subsequently on January 31, 2018, NDRC issued the Catalogue of Sensitive Outbound Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》) effective from March 1, 2018 under which enterprises shall be restricted from making outbound investments in certain industries including without limitation real estate and hotel.

Foreign Debt Administration of NDRC

On September 14, 2015, the NDRC issued the NDRC Notice which came into effect on the same date. According to the NDRC Notice, domestic enterprises and their overseas controlled entities should register any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten business days after the issue of the securities. On May 11, 2018, the NDRC and the MOF jointly issued the Notice on Promoting the Market Restraint Mechanisms to Strictly Prevent the Risks of Foreign Debt and Local Debt (《關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》) which reiterated the regulatory administration of foreign debt. On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (《關於對房地產企業發行外債申請備案登記有關要求的通知》) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future.

Directors

Our Board of Directors consists of nine Directors, three of whom are independent non-executive Directors. Our Board of Directors has the general powers and duties for the management and conduct of our business. We have entered into service contracts with each of our Directors.

The table below sets forth certain information regarding our Directors:

Name	Age	Position
KWOK Ying Shing	56	Chairman and Executive Director
SUN Yuenan	57	Vice Chairman and Executive Director
MAI Fan	42	Vice Chairman, Executive Director and Chief Executive Officer
LI Haiming	46	Executive Director
KWOK Hiu Kwan	29	Executive Director
CHEN Shaohuan	55	Non-Executive Director
ZHANG Yizhao	50	Independent Non-Executive Director
RAO Yong	62	Independent Non-Executive Director
LIU Xuesheng	57	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), aged 56, is the Chairman of the Board and an executive Director of the Company. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Board. He is one of the founders of the Group and was the Chairman and a Director since its inception in 1999. He resigned as the Chairman and an executive Director in December 2014 and was re-appointed as the Chairman and an executive Director in April 2015. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of the Group. Mr. Kwok has extensive experience in real estate development, investment and financing management.

Executive Directors

SUN Yuenan (孫越南), aged 57, has been an executive Director since November 2009. He is also a Vice Chairman and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Sun is primarily responsible for investment and management of the Group. Mr. Sun joined the Group in July 2001 as chief administrative director of Kaisa Group (Shenzhen) Co., Ltd. ("**Kaisa Group (Shenzhen)**") and has held various positions within the Group, including senior vice president of the Group, deputy general manager of Kaisa Group (Shenzhen) and general manager of Guangzhou Jinmao Property Development Co., Ltd. Mr. Sun has extensive regulatory and business administration experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

MAI Fan (麥帆), aged 42, has been an executive Director since July 2017. He is also a Vice Chairman, the Chief Executive Officer and an authorised representative of the Company for the purpose of the Listing Rules and Companies Ordinance. Mr. Mai is responsible for the overall management and daily operations of the Group. Prior to joining the Group in August 2015, Mr. Mai served at the Shenzhen Municipal Highway Bureau and Futian Government, Shenzhen from July 2001 to July 2015. Mr. Mai received his bachelor of laws from the Sun Yat-sen University in 2001 and received the qualification of legal profession in 2002.

LI Haiming (李海鳴), aged 46, has been an executive Director since April 2020. He is also the Chief Operating Officer of the Group since January 2019. He is in charge of management and investment of the real estate sector of the Group. Since March 2020, he also serves as senior management of various subsidiaries of the Group, including as the chairman of each of Dingsheng Park Entertainment Group Services Co., Ltd* (鼎盛樂園娛樂集團服務有限公司) and International Park Group* (國際樂園集團); the president and chairman of Kaisa Group (International) Co., Ltd* (佳兆業集團(國際)有限公司), and Kaisa Services Co., Ltd* (佳兆業服務有限公司), the general manager of Kendu Project Development Co., Ltd* (肯渡專案開發公司). Mr. Li joined the Group in July 2002, and has served in various positions in the Group, including as the executive vice-president of the Group from July 2017 to January 2019, senior management of real estate of Shenzhen from May 2015 to July 2017, senior management of real estate of Changsha from July 2007 to April 2015. Mr. Li was appointed as an executive director of Kaisa Prosperity Holdings Limited (a company listed on the Stock Exchange, stock code: 2168) on 8 April 2020. Mr. Li graduated from the Party School of the Guangdong Provincial Committee of the CPC (廣東省委黨校) with a Bachelor's degree in Business Management in July 2000. He also specialised in Architecture and graduated from Chongqing Jianzhu College (重慶建築工程學院) in July 1994.

Mr. Kwok Hiu Kwan (郭曉群), aged 29, has been an executive Director since April 2020. He is also the chairman and president of the Shanghai region of the Group. He is responsible for overseeing the Group's business (including mergers and acquisitions, property developments, investments and financing) and business development in Shanghai. Mr. Kwok was working as the vice president of the real estate and wealth management of the Group's Shanghai region from May 2018 to March 2020. Since March 2020, he has been appointed as chairman of the Shanghai region of the Group. Mr. Kwok graduated from Essex University in the United Kingdom with a bachelor's degree in finance management in July 2013 and obtained a master in sociology from University College London in the United Kingdom in July 2014.

Non-Executive Director

CHEN Shaohuan (陳少環), aged 55, has been a non-executive Director of the Company since 26 December 2013. She received a Diploma in Economics and Management from the Social Science Faculty of South China University of Technology in the People's Republic of China in July 1987. Ms. Chen joined Sino Life Insurance Co., Ltd. (生命人壽保險股份有限公司) ("**Sino Life Insurance**") as a substantial shareholder from December 2013 to November 2016 and was the deputy general manager of the asset management centre of Sino Life Insurance. Prior to joining Sino Life Insurance, Ms. Chen was the manager of the investment division of Shenzhen Fengsheng Investment Group Company Limited* (深圳市豐盛投資集團有限公司) from June 1995 to November 2013. Ms. Chen was also the deputy general manager of a subsidiary of Shenzhen Wuzhi Group Company* (深圳市物資總公司) engaging in construction material business from September 1983 to May 1995.

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), age 50, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Zhang is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He is also a director of China Carbon Graphite Group Inc. (OTC BB: CHGI) and HH Biotechnology Holdings Company (OTC BB: HHBT). Mr. Zhang has over 19 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang was the CFO or director at various public companies listed in the US, Hong Kong and Tokyo. Mr. Zhang also had experiences in portfolio management and asset trading at Guangdong South Financial Services Corporation from 1993 to 1999. He is a Certified Public Accountant of the State of Delaware, and a member of the American Institute of Certified Public Accountants (AICPA). He also has the Chartered Global Management Accountant (CGMA) designation. Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received a Master of Business Administration with concentrations in financial analysis and accounting from the State University of New York at Buffalo in 2003.

RAO Yong (饒永), aged 62, has been an independent non-executive Director of the Company since 17 November 2009. Mr. Rao is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China.

Mr. Rao has over 28 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao was appointed as an independent non-executive director of Maoye International Holdings Limited (a company listed on the Stock Exchange, stock code: 848) on April 29, 2020. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

LIU Xuesheng (劉雪生), aged 57, has been an independent non-executive Director of the Company since 28 February 2017. Mr. Liu joined Shenzhen Institute of Certified Public Accountants (深圳市註冊會計師協會) ("**SZICPA**") since February 1999 and is currently the deputy secretary general. Prior to joining the SZICPA, Mr. Liu was the accountant of OCT Group (深圳華僑城集團) from April 1992 to February 1999. Mr. Liu graduated from Jiangxi Institute of Finance and Economics (江西財經學院) (now known as the Jiangxi University of Finance and Economics (江西財經大學) with a bachelor degree in 1989 and graduated from Shanghai University of Finance and Economics (上海財經大學) majoring in accounting and obtained a master degree in economics in 1992. He was admitted as Certified Public Accountants in the People's Republic of China in 1995. Mr. Liu is currently an independent non-executive director of Telling Telecommunication Holdings Co., Ltd. (天音通信控股股份有限公司), Huafu Top Dyed MelangeYarn Co., Ltd. (華孚色紡股份有限公司) and EDAN Instruments, INC. (深圳市理邦精密儀器股份有限公司), which are companies listed on the Shenzhen Stock Exchange. From June 2008 to June 2011, Mr. Liu was the independent non-executive director of Dongjiang Environmental Company Limited (stock code: 895), a company listed in Hong Kong.

Senior Management

The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Position
ZHANG Huagang	58	Vice Chairman
WU Jianxin	42	Chief Financial Officer
SUEN Wai Kin	41	Co-Chief Financial Officer
ZHAI Xiaoping	41	Senior Vice President
JIE Pingsheng	59	Senior Vice President
SONG Wei	36	Senior Vice President
XIE Binhong	37	Vice President and Chief Human Resources Officer
LIU Xianhua	40	Vice President
YANG Ming	38	Vice President
CHEN Yankun	46	Vice President
LEE Kin Ping	39	Vice President
CHEN Siying	36	Vice President
LI Aiguo	55	Vice President
LIU Lihao	37	Vice President
SUN Mingyao	38	Vice President
CHEN Ling	45	Chief Technology Officer
CHENG Xinlan	42	Vice President
WANG Huiliang	39	Vice President
LIU Tao	38	Vice President
LUO Tingting	36	Vice President
LIU Jun	42	Vice President
LIU Ce	36	Chief Economist
NIE Qiang	39	Vice President

ZHANG Huagang (張華綱), aged 58, is the vice-chairman of the Group. He joined the Group in April 2020 and now serves as the chairman of Kaisa International Group, Kaisa Hotel Group, Kaisa Technology Innovation Group and Kaisa International Resorts Group. Before joining Kaisa

Group, Mr. Zhang had worked in Gemdale Group, Zendai Property, etc. Mr. Zhang had earned his bachelor's degree in Industrial Automation from Huazhong University of Science and Technology in June 1982, and he graduated from New York State University with a master's degree in Business Administration in January 1989.

WU Jianxin (吳建新), aged 42, is the Chief Financial Officer of the Group, and is mainly responsible for finance, taxation and fund management. Mr. Wu joined the Group in August 2015 and served as the general manager of the capital management department, the general manager of the financial management department, the assistant president and vice president of the Group. Before joining the Group, Mr. Wu successively engaged in capital management in Shenzhen Zhongdian Investment Co., Ltd., Huawei Technology Co., Ltd. and Country Garden Holding (Group) Co., Ltd. Mr. Wu graduated from Zhongnan University of Economics and Law with a bachelor's degree in Economics in July 2001.

SUEN Wai Kin (孫暐健), aged 41, is the Co-Chief Financial Officer of the Group. Before Mr. Suen joined the Group in May 2020, he once worked for Bank of America, Zhaofeng Investment Co., Ltd, BOC International (China) Co., Ltd, Founder Securities (Hong Kong) Co., Ltd, taking charge of Investment management. In May 2002, Mr. Suen graduated from University of Michigan in the United States with a bachelor's degree in Business Administration.

ZHAI Xiaoping (翟曉平), aged 41, is a senior vice president of the Group and the president of the investment department of the Group, and is mainly responsible for the investment of the Group. Ms. Zhai joined the Group in July 2007 and served as the president of the Group's investment and financing management department, vice president of the Investment and Financing Group and vice president of Shenzhen Kaisa Financial Group. Ms. Zhai graduated from Peking University with a master's degree in law in 2007.

JIE Pingsheng (揭平勝), aged 59, is a senior vice president of the Group, and the chairman and president of Guangzhou City Renewal Group, and is mainly responsible for the management. He joined the Group in February 2008 and served as chairman of the board and general manager of Kaisa Real Estate Zhuhai branch, chairman of the board and president of Guangzhou Zhiye Group, chairman of the board of Zhiye Group and chairman of City Renewal Group. Before joining the Group, he sequentially worked for Shenzhen Mingju Real Estate Co., Ltd. as deputy general manager, Xinhe Group as vice president and Shenzhen Anneng Real Estate Company as deputy general manager. He graduated from Shenzhen University in 1987.

SONG Wei (宋偉), aged 36, is a senior vice president of the Group. Mr. Song is primarily responsible for urban renewal work. Prior to joining the Group in November 2015, Mr. Song has successively engaged in news and planning in Hubei Daily Media Group and Evergrande Real Estate Group. Mr. Song has received a bachelor's degree in Journalism & Communication from Hubei University in 2007.

XIE Binhong (謝斌鴻), aged 37, is a vice president of the Group and chief human resources officer. He is responsible for the human resources management. Mr. Xie joined the Group in 2011 and served as the assistant president of Kaisa Commercial Group and the vice president of Kaisa Real Estate Group (Shenzhen Region), etc. Before joining the Group, Mr. Xie worked for Financial Street Huizhou Real Estate Co., Ltd. and other companies. Mr. Xie graduated from Peking University, with a master's degree in Business Administration in June 2018.

LIU Xianhua (劉先華), aged 40, is a vice president of the Group, and is mainly responsible for financing management. Mr. Liu joined the Group in January 2019 and served as the vice president of the Group. Before joining the Group, Mr. Liu had worked for Shenzhen Branch of the Bank of China and Shenzhen Branch of China CITIC Bank in management. Mr. Liu received a bachelor's degree in Management from Zhejiang Gongshang University in June 2003.

YANG Ming (楊明), aged 38, is a vice president of the Group, and is responsible for legal and risk management work. Ms. Yang joined the Group in April 2016 and served as deputy general manager of the legal compliance department of the Real Estate Group and general manager of the legal compliance department of the Group. Prior to joining the Group, Ms. Yang had successively worked in CIMC, Glorious Property Holdings Limited and Shum Yip Land Company Limited responsible for legal and risk management. Ms. Yang graduated from Wuhan University in July 2004 with a bachelor's degree in law.

CHEN Yankun (陳燕坤), aged 46, is a vice president of the Group and the chairman of Real Estate Group (Guangzhou Group), and is responsible for the management. Mr. Chen joined the Group in September 2017 and served as the vice chairman of Guangzhou Finance Group, the vice chairman of the Greater Bay Area Group, president of Guangzhou region, etc. Before joining the Group, Mr. Chen had worked for the politics and law system for a long time.

Lee Kin Ping (李健萍), aged 39, is a vice president of the Group and the vice president of Kaisa Capital Group, and is also responsible for the management of finance, legal and risk control and administration department of Kaisa Financial Group. Ms. Lee joined the Group in 2005 and served as the general manager of administration and human resources department of Hong Kong office, the general manager of public relations and investor relations department, the assistant president of Kaisa Group (International), the vice president of Kaisa Financial Group in Hong Kong, etc. Ms. Lee received her associate degree of Computer Science in 2004 and currently studying a higher degree in Corporate Compliance in The University of Hong Kong.

CHEN Siying (陳思穎), aged 36, is a vice president of the Group and the president of Beijing Group, and is responsible for the management. Mr. Chen joined the Group in July 2007 and served as the chairman of Beijing Real Estate Company, the chairman of Beijing Kaisa Hotel Management Company, the executive vice president of Real Estate Group (Beijing Region), etc. Mr. Chen served as president assistant of Languang Real Estate Group and general manager of its Beijing branch etc, prior to joining the Group. Mr. Chen graduated from Tongji University with bachelor's degree in Civil Engineering in 2007.

LI Aiguo (李愛國), aged 55, is a vice president of the Group, and is responsible for the management of Securities Funds. Mr. Li joined the Group in December 2016 and served as vice president of Financial Group and vice president of Investment and Financing Center. Before joining the Group, Mr. Li worked for the Ministry of public security of the PRC and HNA Group. Mr. Li graduated from the PLA Logistics Command College in July 2006, majored in Financial Management.

LIU Lihao (劉立好), aged 37, is a vice president of the Group and president of Shenzhen Group, and is responsible for the management. Mr. Liu joined the Group in August 2012 and served as the assistant president of Real Estate Group (Beijing Region) and the vice president of Real Estate Group (Shanghai Region), etc. Before joining the Group, Mr. Liu worked on commercial real estate analysis and operating management successively in DTZ holdings and Guangming Technology Park Co., Ltd. of China Merchants Group. Mr. Liu graduated from Jiangxi University of Finance and Economics with bachelor's degrees of Economics and Laws.

SUN Mingyao (孫明堯), aged 38, is a vice president of the Group. Mr. Sun joined the Group in September 2016, and successively served as the assistant president of Financial Group, the vice president of Greater Bay Area Group, the vice president of Real Estate group, etc. Before joining the Group, Mr. Sun successively engaged in planning and investment management in Ping An Life Insurance, Shenzhen Zetai investment company and China Cinda. Mr. Sun graduated from Renmin University of China with a master's degree in Economics in July 2006.

CHEN Ling (陳玲), aged 45, is the vice president and the Chief Technology Officer of our Group. She also serves as the president of the Innovation Institute of Research, Development and Design, taking charge of management. Ms. Chen joined the Group in April 2008, and successively served as the deputy general manager of design management department, the director of the Innovation Institute, the president assistant and the vice president of Shenzhen Region Real Estate Group, etc. Before Ms. Chen joined the Group, she had engaged in architectural design work for Huasen Architectural & Engineering Designing Consultants Ltd. (HAS). Ms. Chen earned her master's degree in Engineering from Wuhan University of Technology in July 2002.

CHENG Xinlan (程芯蘭), aged 42, is a vice president of the Group, and is responsible for marketing management. Ms. Cheng joined the Group in September 2010, and successively served as the general manager of the department of customer and marketing of the Real Estate Group, the president assistant of the Real Estate Group and the president assistant of the Group. She had worked for Gemdale Group before she joined our Group. In June 2002, Ms. Cheng graduated from Renmin University of China with a bachelor's degree in Literature.

WANG Huiliang (王慧良), aged 39, is a vice president of the Group, and she is mainly responsible for financing management. Ms. Wang joined the Group in February 2018, and successively served as the general manager of the financing management department of the Real Estate Group, the president assistant of the Real Estate Group and the president assistant of the Group. Ms. Wang had worked for Tusincere Group before joining the Group. In July 2004, she graduated from Hangzhou Dianzi University with a bachelor's degree in Accounting.

LIU Tao (劉濤), aged 38, is a vice president of the Group. He also serves as the president of Technology Group, mainly responsible for the development of Group internet. Mr. Liu joined the Group in October 2009, and successively served as the general manager assistant, the vice general manager and the general manager of the Internet & Information Department and the assistant president of the Group. He had worked for Mysoft Software before joining the Group. In July 2005, Mr. Liu graduated from Shandong University of Science and Technology with a bachelor's degree in Computer Science.

LUO Tingting (羅婷婷), aged 36, is a vice president of the Group, and mainly responsible for financial management. Ms. Luo joined the Group in April 2011, and successively served as the president assistant and the vice president of the Shenzhen Wealth Management Group, the general manager of the Planning and Finance Department of the Group and president assistant of the Group. She had worked in RSM China before joining our Group. In July 2006, Ms. Luo graduated from Jiangxi University of Finance and Economics with a bachelor's degree in Public Finance.

LIU Jun (劉軍), aged 42, is a vice president of the Group, mainly responsible for legal affairs management of the Group. Mr. Liu joined the Group in December 2018, and successively served as the general manager of law enforcement department in Real Estate Group, and the president assistant of the Group. Before he joined the Group, Mr. Liu had worked in Guangdong Rui Feng Law Firm and Top Spring Group, in charge of legal affairs management. Mr. Liu graduated from Wuhan University with a bachelor's degree in Laws in June 2001.

LIU Ce (劉策), aged 36, is the chief economist of the Group. Mr. Liu joined the Group in January 2018 and served as the dean of Kaisa Economic Research Institute and the chief growth officer of the Group, etc. Before joining the Group, Mr. Liu worked on researching and consulting for Shanghai Tacter Management Consulting Company and Mingyuan Real-estate, respectively. Mr. Liu graduated from Northwest University with a master's degree of Management in July 2009.

NIE Qiang (聶强), aged 39, is a vice president of the Group. Mr. Nie joined the Group in April 2010 and successively served as the general manager, the Shanghai regional vice president, the executive vice president, and the president of the Shenzhen real estate company. Before joining the Group, Mr. Nie worked in the China Water Resources and Hydropower Third Engineering Bureau Installation Branch Co., Ltd. and Fantasia China Group Co., Ltd. Mr. Nie graduated from North China University of Water Conservancy and Electronic Power majoring in mechanical design and manufacturing and its automation in June 2004 with a bachelor's degree.

Company Secretary

YU Kwok Leung (余國良), aged 45, is the Company Secretary of the Company. He is primarily responsible for financial reporting, company secretarial duties and corporate finance activities of the Group. He has many years of experience in accounting and finance. He received his bachelor degree of business administration in accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yu joined the Group as the financial controller in April 2016. Prior to joining the Group, Mr. Yu was the financial controller of a listed company in Hong Kong and as a senior audit manager in one of the international accounting firm.

Board Committees

Audit Committee

The audit committee is responsible for the review and supervision of our financial reporting process, internal controls and review of our financial statements. Their written terms of reference are in line with the provisions under the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "**Code**") and explains the role and the authority delegated to the audit committee by the Board. The audit committee consists of three members, all of whom are independent non-executive Directors. The audit committee comprises Mr. Rao Yong as chairman, Mr. Zhang Yizhao and Mr. Chen Shaohuan as members.

Remuneration Committee

The remuneration committee is responsible for making recommendations to our Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the provisions of the Code. Pursuant to code provision B.1.4 of the Code, the remuneration committee would make available its terms of reference, explaining its role and the authority delegated to it by the Board.

Our remuneration policy for our Directors and senior management members is based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. The remuneration committee comprises Mr. Zhang Yizhao as the chairman, Mr. Rao Yong and Mr. Kwok Ying Shing as members.

Nomination Committee

The nomination committee is primarily responsible for considering and recommending to our Board suitably qualified persons to become the member of our Board and is also responsible for reviewing the structure, size and composition of our Board on a regular basis and as required.

Its written terms of reference cover recommendations to our Board on the appointment of Directors, evaluation of our Board composition and the management of our Board succession with reference to certain guidelines as endorsed by the committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The nomination committee will select and recommend candidates for directorship after consideration of referrals and engagement of external recruitment professionals, when necessary. The nomination committee comprises Mr. Kwok Ying Shing as the chairman, Mr. Rao Yong and Mr. Zhang Yizhao as members.

Management Committees

Our Company has established a number of management committees, including but not limited to an investment management committee, a budget committee and a risk management committee to assist our senior management in overseeing our business operations in Hong Kong and the PRC.

Compensation of Directors

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors in 2018, 2019 and 2020 were approximately RMB132.5 million, RMB80.7 million and RMB45.8 million (US$7.0 million), respectively, including approximately RMB95.5 million, RMB46.9 million and RMB11.3 million (US$1.7 million) as share option expenses in respect of such individuals in 2018, 2019 and 2020.

Share Option Scheme

We adopted our share option scheme on November 22, 2009, in order to attract, retain and motivate our Directors, management members and employees. We have granted options to certain of our Directors, management members and employees under such scheme and as of December 31, 2020, options to subscribe for up to 298,222,000 shares of our Company are outstanding.

On June 11, 2018, we granted 43,000,000 share options to certain of our and our subsidiaries' employees, to subscribe for the ordinary shares of HK$0.10 each in our share capital, subject to the acceptance of such grantee of the share options, under the share option scheme adopted by us on November 22, 2009.

On January 24, 2019, we granted 18,000,000 share options to certain of our and our subsidiaries' employees, to subscribe for the ordinary shares of HK$0.10 each in our share capital,

subject to the acceptance of such grantee of the share options, under the share option scheme adopted by us on November 22, 2009.

On November, 2020, we grant 10,000,000 share options to certain of our employee to subscribe for the ordinary shares of HK$0.1 each in our share capital. Subject to the acceptance of such guarantee of the share options, under the share option scheme adopted by us on November 22, 2009.

Directors' and Chief Executive's Interests in Securities

As of December 31, 2020, the interests of our Directors and chief executive in our equity securities were as follows:

Name of Director	Capacity	Number of the underlying shares	Approximate percentage of shareholding of the issued share capital[(1)]
SUN Yuenan	Beneficial owner	39,020,000	0.64%
MAI Fan	Beneficial owner	10,000,000	0.16%
LI Haiming	Beneficial owner	8,770,000	0.14%
RAO Yong	Beneficial owner	1,900,000	0.03%
ZHANG Yizhao	Beneficial owner	1,400,000	0.02%
LIU Xuesheng	Beneficial owner	1,200,000	0.02%

Note:

(1) The percentage was calculated based on 6,132,977,697 Shares in issue as of December 31, 2020, assuming all the options granted under the Share Option Scheme have been exercised.

SUBSTANTIAL SHAREHOLDERS

As of December 31, 2020, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number of shares[1]	Approximate percentage of the issued share capital of the Company[4]
			(%)
Da Chang	Beneficial owner	708,033,378 (L)[2]	11.54%
Da Feng	Beneficial owner	843,065,378 (L)[3]	13.75%
BEA Trustees	Trustee	843,065,378 (L)[3]	13.75%
Da Zheng	Beneficial owner	843,065,377 (L)	13.75%
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	649,700,957 (L)	25.07%
	Interest in a controlled corporation	887,995,149 (L)[4]	
Fund Resources Investment Holding Group Company Limited	Beneficial owner	887,995,149 (L)	14.48%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(2) Da Chang is wholly owned by Mr. Kwok Ying Shing.

(3) Da Feng is wholly owned by Xingsheng Asia Limited, which is in turn wholly owned by Hongyi Asia Limited, which is in turn wholly owned by Junjia Enterprises Corporation. Junjia Enterprises Corporation is wholly owned by BEA Trustees. BEA Trustees is the trustee of 843,065,378 Shares under a family trust of which Mr. Kwok Ying Shing is the founder of the trust.

(4) 887,995,149 Shares were held by Fund Resources Investment Holding Group Company Limited, which was wholly owned by Funde Sino Life Insurance Co., Ltd. as of December 31, 2020, By virtue of SFO, Funde Sino Life Insurance Co., Ltd is deemed to be interested in Shares held by Fund Resources Investment Holding Group Company Limited.

(5) The percentages were calculated based on 6,132,977,697 Shares in issue as of December 31, 2020, assuming all the options granted under the Share Option Scheme have been exercised.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material transactions between our Group and certain related parties in the periods indicated.

Key management compensation

	For the year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Directors' fees	—	795	801	123
Salaries and other short-term employee benefits	129,800	135,740	146,822	22,501
Discretionary bonus	3,259	2,563	3,066	470
Retirement scheme contributions	703	488	75	11
Share option benefits	151,773	92,440	29,210	4,477
	285,535	232,026	179,974	27,582

Material related party transactions

	Year ended December 31,			
	2018	2019	2020	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)
Advertising income received from an associate	9,434	4,245	8,962	1,373
Property management fee income received from an associate	9,170	36,306	33,531	5,139
Advisory income received from a joint venture	—	—	21,698	3,325
Financial advisory fees paid to an associate	74,551	38,345	14,003	2,146
Interest income received from associates[(1)]	3,535	3,337	1,848	283
Interest expense paid to a related company[(2)]	29,852	—	—	—
Interest expense paid to an associate[(3)]	54,273	241,471	618	95
Rental expenses paid to a controlling shareholder[(4)]	1,140	1,140	1,140	175
Other income from associates	—	80,365	43,009	6,591
Other income from joint ventures	—	1,113	402,937	61,753
Property management fee income from joint ventures	—	67,058	135,405	20,752

Notes:

(1) Interest income was charged at interest rate of 12.0% per annum on amounts due from associates.

(2) Interest expense was charged at interest rate of 12.0% per annum on loan from a related company.

(3) Interest expense was charged at interest rates of 12.0% per annum in 2020 and ranging from 4.4% to 14.0% per annum in 2019 on loans from associates.

(4) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year/period was determined at prevailing market rate of respective office premise.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various financial institutions or trust companies and obtained financings through debt offerings. As of December 31, 2020, our total borrowings were RMB121,471.0 million (US$18,616.2 million). We have also incurred other borrowings after December 31, 2020. See "Summary — Recent Developments". We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

Project Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily including without limitation, Bank of China, China Construction Bank, Agricultural Bank of China, Industrial and Commercial Bank of China, China Everbright Bank, China CITIC Bank, Industrial Bank, Hua Xia Bank, Ping An Bank, Bank of Communications, Bank of Dalian, Nanyang Commercial Bank, China Minsheng Bank, Bank of Jiangsu, Shenzhen Rural Commercial Bank, Guangzhou Rural Commercial Bank and Shengjing Bank. These loans typically are project loans to finance the construction of our projects (the "project loans") and with a term of one to ten years, which generally correspond to the construction periods of the particular projects.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2020, the effective interest rate on the aggregate outstanding amount of our project loans was 6.8% per annum.

Covenants

Under these project loans, some of our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender and/or obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts;
- reduce their registered capital;
- transfer part or all of the liabilities under the loans to a third party;
- prepay the loan; or
- repay shareholder loans.

Dividend restriction

Pursuant to these project loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;

- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid;
- before all the principal amount of and accrued interest with the relevant lending banks have been fully paid; or
- before obtaining written consent from the lender.

See "Risk Factors — Risks Relating to the Notes — Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

Guarantee and security

Certain of our PRC subsidiaries and associates have entered into guarantee or security agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries and associates have guaranteed or pledged certain of their properties and land use rights, share equity, account receivables, or deposits to secure the obligations of these subsidiary borrowers under these project loans.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Guarantees." As of December 31, 2020, the aggregate outstanding amount guaranteed was RMB27,272.6 million (US$4,179.7 million).

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing loan agreements with PRC trust companies (the "Trust Financing Loans"). These Trust Financing Loans typically have a term of half to three years. As of December 31, 2020, we had outstanding trust financing loans of an aggregate principal amount of RMB19,386.3 million (US$2,971.1 million).

Interest

The principal amounts outstanding under the trust financing loan agreements bear interest rates ranging from 8% to 16%, respectively, per annum. Interest payments generally are payable quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under the Trust Financing Loans, our PRC subsidiary borrowers has agreed, among other things, not to take the following actions without first notifying the lender or obtaining the lenders' prior consent:

- change controlling shareholders;
- effect any consolidation, merger or spin-off;
- liquidate or dissolve such subsidiaries;
- grant guarantees to any third party that may adversely affect their ability to repay their loans;
- enter into any major asset acquisition or disposition;
- involve in any litigation or arbitration;
- alter the name of the company, scope of business operations, legal person or registered address;
- suffer any deterioration of business;
- take any other action which may adversely affect their ability to repay the loans; or
- repay shareholder loans.

Dividend restriction

Pursuant to these Trust Financing Loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;
- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid; or
- before obtaining written consent from the lender.

See "Risk Factors — Risks Relating to the Notes — Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

Guarantee and security

Certain of our PRC subsidiaries have provided guarantees for, or pledged certain of their properties and land use rights, or pledged share equity to secure, the obligations of these subsidiary borrowers under these Trust Financing Loans.

Offshore Facility Agreements

We have entered into facility agreements for terms of up to two years with certain financial and non-financial institutions. As of the date of this offering memorandum, the aggregate outstanding amount of our offshore facilities was US$617.6 million.

Guarantee and Security

Our offshore facilities are unsecured or secured by certain accounts, shares or mortgage over certain property.

Interest

Our offshore facilities bear fixed interest or interest calculated with reference to the aggregate of the London Interbank Offered Rate.

Covenants

Our offshore facilities generally contain customary covenants and restrictions, including, among others, negative pledge on assets, financial covenants including consolidated net borrowings/loan-to value ratios.

Events of Default

These offshore facilities generally contain certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

Debt Restructuring

On July 21, 2016, we effected a debt restructuring (the "Debt Restructuring") pursuant to a scheme of arrangement sanctioned by the Grand Court of the Cayman Islands and a scheme of arrangement sanctioned by the High Court of Hong Kong (collectively, the "Schemes or Arrangement"). Pursuant to the Debt Restructuring, our offshore debts, including our 2012 Notes, January 2013 Notes, March 2013 Notes, April 2013 Notes, 2014 Notes, Convertible Bonds and Original Offshore Facilities were exchanged for one of the following at the election of the holders:

- Series A-E Senior Notes, at an exchange ratio of 1.00000x, and contingent value rights (the "CVRs") with a notional value equal to 7.0% of the aggregate principal amount of the such notes issued to such holders. The holders of the 2012 Notes, January 2013 Notes, March 2013 Notes, April 2013 Notes, 2014 Notes and/or the Original Offshore

Facilities who failed to submit a value election were deemed to have elected this option. Our Company and U.S. Bank National Association, as the CVR trustee, entered into a contingent value rights agreement (the "Contingent Value Rights Agreement") on July 21, 2016;

- Series A-E Senior Notes only, at an exchange ratio of 1.02598x; or
- Mandatorily Exchangeable Bonds, at an exchange ratio of 1.00000x, subject to a cut-back mechanism stipulated in the Schemes or Arrangement. Our Company, the Subsidiary Guarantors, U.S. Bank National Association, as the trustee of the Mandatorily Exchangeable Bonds and Citicorp International Limited, as the common security trustee, entered into a trust deed, pursuant to which we issued the Mandatorily Exchangeable Bonds on July 21, 2016. The holders of the Convertible Bonds who failed to submit a value election were deemed to have elected this option.

On June 30, 2017, the Company completed an exchange offer pursuant to which the Senior Notes Series A-E were exchanged for the 2020 Notes, the 2021 Noes, the 2022 Notes and the 2024 Notes. All remaining Senior Notes Series A-E have been redeemed on August 3, 2017.

On June 30, 2017, the Company issued convertible bonds of approximately US$265.9 million in exchange for the then principal amount of the Mandatorily Exchangeable Bonds in accordance with the terms of the Mandatorily Exchangeable Bonds. During the period from July 2017 to October 2017, convertible bonds of approximately US$265.2 million have been converted into ordinary shares of the Company and the Company has redeemed in aggregate of approximately US$0.7 million convertible bonds in August 2017 and November 2017.

2022 Notes

On June 30, 2017, we entered into an indenture (as amended or supplemented from time to time, the "2022 Indenture"). Pursuant to the 2022 Indenture, we issued an aggregate principal amount of US$820 million of the 2022 Notes on June 30, 2017 and have completed a tap issue since then. In May and June 2018, we made on-market repurchases of a principal amount of US$85.0 million and US$23.0 million, respectively, of the 2022 Notes. As of the date of this offering memorandum, we had an aggregate principal amount of US$1,147.0 million of the 2022 Notes outstanding.

Guarantee

The obligations pursuant to the 2022 Notes are guaranteed by our existing subsidiaries (the "2022 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2022 Indenture. Each of the 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2022 Notes.

Interest

The 2022 Notes bear interests at 8.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;

- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2022 Indenture or the holders of at least 25% of the outstanding 2022 Notes may declare the principal of the 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2022 Notes is June 30, 2022.

At any time on or after June 30, 2021, we may redeem the 2022 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on June 30 of any year set forth below:

Period	Redemption Price
2020	104.250%
2021	102.125%

At any time prior to June 30, 2021, we may at its option redeem the 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date. Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time prior to June 30, 2021, we may redeem up to 35% of the aggregate principal amount of the 2022 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.50% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the 2022 Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Intercreditor Agreement

On June 30, 2017, the trustee for the 2022 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2024 Notes

On June 30, 2017, we entered into an indenture (as amended or supplemented from time to time, the "2024 Indenture"). Pursuant to the 2024 Indenture, we issued an aggregate principal amount of US$2,120 million of the 2024 Notes on June 30, 2017 and have completed a tap issue since then. In May and June 2018, we made on-market repurchases of a principal amount of US$25.0 million and US$42.5 million, respectively, of the 2024 Notes. On April 27, 2021, we conducted an exchange and tender offer to purchase for cash for the 2024 Notes. As of the date of this offering memorandum, we had an aggregate principal amount of US$2,247,453,000 of the 2024 Notes outstanding.

Guarantee

The obligations pursuant to the 2024 Notes are guaranteed by our existing subsidiaries (the "2024 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2024 Indenture. Each of the 2024 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2024 Notes.

Interest

The 2024 Notes bear interests at 9.375% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2024 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted Subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2024 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2024 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2024 Indenture or the holders of at least 25% of the outstanding 2024 Notes may declare the principal of the 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2024 Notes is June 30, 2024.

At any time on or after June 30, 2021, we may redeem the 2024 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on June 30 of any year set forth below:

Period	Redemption Price
2021	104.688%
2022	102.344%
2023	101.172%

At any time prior to June 30, 2021, we may at its option redeem the 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2024 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date. Notice of such redemption must be mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time prior to June 30, 2021, we may redeem up to 35% of the aggregate principal amount of the 2024 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 109.375% of the principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the 2024 Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Intercreditor Agreement

On June 30, 2017, the trustee for the 2024 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

April 2022 Notes

On April 9, 2019, we entered into an indenture (as amended or supplemented from time to time, the "April 2022 Indenture"). Pursuant to the April 2022 Indenture, we issued an aggregate principal amount of US$350 million of the April 2022 Notes on April 9, 2019 and have completed a tap since then. As of the date of this offering memorandum, an aggregate principal amount of US$550.0 million of the April 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the April 2022 Notes are guaranteed by our existing subsidiaries (the "April 2022 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the April 2022 Indenture. Each of the April 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the April 2022 Notes.

Interest

The April 2022 Notes bear interests at 11.25% per annum, payable semi-annually in arrears on April 9 and October 9, commencing October 9, 2019.

Covenants

Subject to certain conditions and exceptions, the April 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;

- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The April 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the April 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the April 2022 Indenture or the holders of at least 25% of the outstanding April 2022 Notes may declare the principal of the April 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding April 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the April 2022 Notes is April 9, 2022. At any time and from time to time on or after April 9, 2021, we may at our option redeem the April 2022 Notes, in whole or in part, at a redemption price of 103% of the principal amount of the April 2022 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to April 9, 2021, we may at our option redeem the April 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to April 9, 2021, we may redeem up to 35% of the aggregate principal amount of the April 2022 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.25% of the principal amount of the April 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On April 9, 2019, the trustee for the April 2022 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

January 2023 Notes

On May 30, 2019, we entered into an indenture (as amended or supplemented from time to time, the "January 2023 Indenture"). Pursuant to the January 2023 Indenture, we issued an aggregate principal amount of US$400 million of the January 2023 Notes on May 30, 2019 and have completed a tap since then. As of the date of this offering memorandum, an aggregate principal amount of US$700.0 million of the January 2023 Notes is outstanding.

Guarantee

The obligations pursuant to the January 2023 Notes are guaranteed by our existing subsidiaries (the "January 2023 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the January 2023 Indenture. Each of

the January 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium and interest on, and all other amounts payable under, the January 2023 Notes.

Interest

The January 2023 Notes bear interests at 11.5% per annum, payable semi-annually in arrears on January 30 and July 30, commencing January 30, 2020 except that the first payment of interest, to be made on January 30, 2020, will be in respect of the period from and including May 30, 2019 to but excluding January 30, 2020.

Covenants

Subject to certain conditions and exceptions, the January 2023 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The January 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2023 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the January 2023 Indenture or the holders of at least 25% of the outstanding January 2023 Notes may declare the principal of the January 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding January 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2023 Notes is January 30, 2023. At any time and from time to time on or after May 30, 2021, we may at our option redeem the January 2023 Notes, in whole or in part, at redemption price of 103% of the principal amount of the January 2023 Notes plus accrued and unpaid interest, if any to (but not including) the redemption date. At any time prior to May 30, 2021, we may at our option redeem the January 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2023 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to May 30, 2021, we may redeem up to 35% of the aggregate principal amount of the January 2023 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.5% of the principal amount of the January 2023 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On May 30, 2019, the trustee for the January 2023 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

July 2023 Notes

On July 23, 2019, we entered into an indenture (as amended or supplemented from time to time, the "July 2023 Indenture"). Pursuant to the July 2023 Indenture, we issued an aggregate principal amount of US$300 million of the July 2023 Notes on July 23, 2019, an aggregate principal amount of US$150 million of Additional July 2023 Notes on November 13, 2019 and an aggregate principal amount of US$300 million of Additional July 2023 Notes on January 26, 2021. As of the date of this offering memorandum, the entire principal amount of the July 2023 Notes remain outstanding.

Guarantee

The obligations pursuant to the July 2023 Notes are guaranteed by our existing subsidiaries (the "July 2023 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the July 2023 Indenture. Each of the July 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the July 2023 Notes.

Interest

The July 2023 Notes bear interest at 10.875% per annum, payable semi-annually in arrears on January 23 and July 23, commencing January 23, 2020.

Covenants

Subject to certain conditions and exceptions, the July 2023 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The July 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2023 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the July 2023 Indenture or the holders of at least 25% of the outstanding July 2023 Notes may declare the principal of the July 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding July 2023 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2023 Notes is July 23, 2023. At any time and from time to time on or after July 23, 2021, we may at our option redeem the July 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on July 23 of the year indicated below.

Period	Redemption Price
2021	104%
2022	102%

At any time prior to July 23, 2021, we may at our option redeem the July 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2023 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 23, 2021, we may redeem up to 35% of the aggregate principal amount of the July 2023 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 110.875% of the principal amount of the July 2023 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On July 23, 2019, the trustee for the July 2023 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

October 2022 Notes

On October 22, 2019, we entered into an indenture (as amended or supplemented from time to time, the "October 2022 Indenture"). Pursuant to the October 2022 Indenture, we issued an aggregate principal amount of US$400 million of the October 2022 Notes on October 22, 2019 and an aggregate principal amount of US$200 million of the Additional October 2022 Notes on November 1, 2019. As of the date of this offering memorandum, an aggregate principal amount of US$600 million of the October 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the October 2022 Notes are guaranteed by our existing subsidiaries (the "October 2022 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the October 2022 Indenture. Each of the October 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the October 2022 Notes.

Interest

The October 2022 Notes bear interest at 11.95% per annum, payable semi-annually in arrears on April 22 and October 22, commencing April 22, 2020.

Covenants

Subject to certain conditions and exceptions, the October 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;

- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The October 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the October 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the October 2022 Indenture or the holders of at least 25% of the outstanding October 2022 Notes may declare the principal of the October 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding October 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2022 Notes is October 22, 2022. At any time and from time to time on or after October 22, 2021, we may at our option redeem the October 2022 Notes, in whole or in part, at a redemption price of 103% of the principal amount of the October 2022 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to October 22, 2021, we may at our option redeem the October 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the October 2022 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to October 22, 2021, we may redeem up to 35% of the aggregate principal amount of the October 2022 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.95% of the principal amount of the October 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On October 22, 2019, the trustee for the October 2022 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

November 2023 Notes

On November 12, 2019, we entered into an indenture (as amended or supplemented from time to time, the "November 2023 Indenture"). Pursuant to the November 2023 Indenture, we issued an aggregate principal amount of US$300 million of the November 2023 Notes on November 12, 2019 and an aggregate principal amount of US$200 million of the November 2023 Notes on November 17, 2020. As of the date of this offering memorandum, the entire principal amount of the November 2023 Notes is outstanding.

Guarantee

The obligations pursuant to the November 2023 Notes are guaranteed by our existing subsidiaries (the "November 2023 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the November 2023 Indenture. Each of the November 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the November 2023 Notes.

Interest

The November 2023 Notes bear interest at 11.95% per annum, payable semi-annually in arrears on May 12 and November 12, commencing May 12, 2020.

Covenants

Subject to certain conditions and exceptions, the November 2023 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The November 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the November 2023 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the November 2023 Indenture or the holders of at least 25% of the outstanding November 2023 Notes may declare the principal of the November 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding November 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the November 2023 Notes is November 12, 2023. At any time and from time to time on or after November 12, 2021, we may at our option redeem the November 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on November 12 of the year indicated below.

Period	Redemption Price
2021	104%
2022	102%

At any time prior to November 12, 2021, we may at our option redeem the November 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2023 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to November 12, 2021, we may redeem up to 35% of the aggregate principal amount of the November 2023 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.95% of the principal amount of the November 2023 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On November 12, 2019, the trustee for the November 2023 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

January 2025 Notes

On January 15, 2020, we entered into an indenture (as amended or supplemented from time to time, the "January 2025 Indenture"). Pursuant to the January 2025 Indenture, we issued an aggregate principal amount of US$500 million of the January 2025 Notes on January 15, 2020. As of the date of this offering memorandum, the entire principal amount of the January 2025 Notes is outstanding.

Guarantee

The obligations pursuant to the January 2025 Notes are guaranteed by our existing subsidiaries (the "January 2025 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the January 2025 Indenture. Each of the January 2025 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the January 2025 Notes.

Interest

The January 2025 Notes bear interest at 10.5% per annum, payable semi-annually in arrears on January 15 and July 15, commencing July 15, 2020.

Covenants

Subject to certain conditions and exceptions, the January 2025 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The January 2025 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2025 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the January 2025 Indenture or the holders of at least 25% of the outstanding January 2025 Notes may declare the principal of the January 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding January 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2025 Notes is January 15, 2025. At any time and from time to time on or after January 15, 2023, we may at our option redeem the January 2025 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on January 15 of the year indicated below.

Period	Redemption Price
2023	103%
2024	101%

At any time prior to January 15, 2023, we may at our option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2025 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to January 15, 2023, we may redeem up to 35% of the aggregate principal amount of the January 2025 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 110.5% of the principal amount of the January 2025 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On January 15, 2020, the trustee for the January 2025 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

July 2025 Notes

On January 23, 2020, we entered into an indenture (as amended or supplemented from time to time, the "July 2025 Indenture"). Pursuant to the July 2025 Indenture, we issued an aggregate principal amount of US$300 million of the July 2025 Notes on January 23, 2020 and an aggregate principal amount of US$200 million of the July 2025 Notes on February 3, 2021. As of the date of this offering memorandum, the entire principal amount of the July 2025 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2025 Notes are guaranteed by our existing subsidiaries (the "July 2025 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the July 2025 Indenture. Each of the July 2025 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the July 2025 Notes.

Interest

The July 2025 Notes bear interest at 9.95% per annum, payable semi-annually in arrears on January 23 and July 23, commencing July 23, 2020.

Covenants

Subject to certain conditions and exceptions, the July 2025 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;

- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The July 2025 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2025 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the July 2025 Indenture or the holders of at least 25% of the outstanding July 2025 Notes may declare the principal of the July 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding July 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2025 Notes is July 23, 2025. At any time and from time to time on or after January 23, 2023, we may at our option redeem the July 2025 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the period indicated below.

Period	Redemption Price
Twelve-month period beginning on January 23, 2023	103%
Eighteen-month period beginning on January 23, 2024	101%

At any time prior to January 23, 2023, we may at our option redeem the July 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2025 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to January 15, 2023, we may redeem up to 35% of the aggregate principal amount of the July 2025 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 109.95% of the principal amount of the July 2025 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On January 23, 2020, the trustee for the July 2025 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2023 Notes

On July 16, 2020, we entered into an indenture (as amended or supplemented from time to time, the "2023 Indenture"). Pursuant to the 2023 Indenture, we issued an aggregate principal amount of US$400 million of the 2023 Notes on July 16, 2020, an aggregate principal amount of US$100 million of the 2023 Notes on February 10, 2021, an aggregate principal amount of US$200 million of the 2023 Notes on April 27, 2021 and an aggregate principal amount of US$280 million of the 2023 Notes on June 16, 2021. As of the date of this offering memorandum, the entire principal amount of the 2023 Notes is outstanding.

Guarantee

The obligations pursuant to the 2023 Notes are guaranteed by our existing subsidiaries (the "2023 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2023 Indenture. Each of the 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2023 Notes.

Interest

The 2023 Notes bear interest at 9.75% per annum, payable semi-annually in arrears on March 28 and September 28 of each year, commencing on March 28, 2021.

Covenants

Subject to certain conditions and exceptions, the 2023 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2023 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2023 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the 2023 Indenture. If an event of default occurs and is continuing, the trustee under the 2023 Indenture or the holders of at least 25% of the outstanding 2023 Notes may declare the principal of the 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2023 Notes is September 28, 2023.

At any time and from time to time on or after September 28, 2022, we may at our option redeem the 2023 Notes, in whole or in part, at a redemption price equal to 103% plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to September 28, 2022, we may at our option redeem the 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2023 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to September 28, 2022, we may redeem up to 35% of the aggregate principal amount of the 2023 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at

a redemption price of 109.75% of the principal amount of the 2023 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On July 16, 2020, the trustee for the 2023 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

2025 Notes

On July 16, 2020, we entered into an indenture (as amended or supplemented from time to time, the "2025 Indenture"). Pursuant to the 2025 Indenture, we issued an aggregate principal amount of US$300 million of the 2025 Notes on July 16, 2020 and US$400 million of the 2025 Notes on September 10, 2020. As of the date of this offering memorandum, the entire principal amount of the 2025 Notes is outstanding.

Guarantee

The obligations pursuant to the 2025 Notes are guaranteed by our existing subsidiaries (the "2025 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the 2025 Indenture. Each of the 2025 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the 2025 Notes.

Interest

The 2025 Notes bear interest at 11.25% per annum, payable semi-annually in arrears on April 16 and October 16 of each year, commencing on April 16, 2021.

Covenants

Subject to certain conditions and exceptions, the 2025 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The 2025 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2025 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the 2025 Indenture. If an event of default occurs and is continuing, the trustee under the 2025 Indenture or the holders of at least 25% of the outstanding 2025 Notes may declare the principal of the 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2025 Notes is April 16, 2025.

At any time and from time to time on or after April 16, 2023, we may at our option redeem the 2025 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on April 16 of the year indicated below.

Period	Redemption Price
2023	104%
2024	102%

At any time prior to April 16, 2023, we may at our option redeem the 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2025 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to April 16, 2023, we may redeem up to 35% of the aggregate principal amount of the 2025 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.25% of the principal amount of the 2025 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On July 16, 2020, the trustee for the 2025 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

December 2021 Notes

On December 8, 2020, we entered into an indenture (as amended or supplemented from time to time, the "December 2021 Indenture"). Pursuant to the December 2021 Indenture, we issued an aggregate principal amount of US$250 million of the December 2021 Notes on December 8, 2020 and US$150 million of the December 2021 Notes on December 23, 2020. As of the date of this offering memorandum, the entire principal amount of the December 2021 Notes is outstanding.

Guarantee

The obligations pursuant to the December 2021 Notes are guaranteed by our existing subsidiaries (the "December 2021 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the December 2021 Indenture. Each of the December 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the December 2021 Notes.

Interest

The December 2021 Notes bear interest at 6.5% per annum, payable in arrears on June 8, 2021 and December 7, 2021.

Covenants

Subject to certain conditions and exceptions, the December 2021 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;

- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The December 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the December 2021 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the December 2021 Indenture. If an event of default occurs and is continuing, the trustee under the December 2021 Indenture or the holders of at least 25% of the outstanding December 2021 Notes may declare the principal of the December 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding December 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the December 2021 Notes is December 7, 2021.

At any time prior to December 7, 2021, we may at our option redeem the December 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the December 2021 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date.

In addition, at any time prior to December 7, 2021, we may redeem up to 35% of the aggregate principal amount of the December 2021 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 106.5% of the principal amount of the December 2021 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On December 8, 2020, the trustee for the December 2021 Notes executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

November 2025 Notes

On May 11, 2021, we entered into an indenture (as amended or supplemented from time to time, the "November 2025 Indenture"). Pursuant to the November 2025 Indenture, we issued an aggregate principal amount of US$1,000,022,000 of the November 2025 Notes on May 11, 2021. As of the date of this offering memorandum, the entire principal amount of the November 2025 Notes is outstanding.

Guarantee

The obligations pursuant to the November 2025 Notes are guaranteed by our existing subsidiaries (the "November 2025 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the November 2025 Indenture. Each of the November 2025 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the November 2025 Notes.

Interest

The November 2025 Notes bear interest at 11.7% per annum, payable semi-annually in arrears on May 11 and November 11 of each year, commencing on November 11, 2021.

Covenants

Subject to certain conditions and exceptions, the November 2025 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The November 2025 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the November 2025 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the November 2025 Indenture. If an event of default occurs and is continuing, the trustee under the November 2025 Indenture or the holders of at least 25% of the outstanding November 2025 Notes may declare the principal of the November 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding November 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the November 2025 Notes is November 11, 2025.

At any time and from time to time on or after November 11, 2023, we may at our option redeem the November 2025 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on November 11 of the year indicated below.

Period	Redemption Price
2023	104%
2024	102%

At any time prior to November 11, 2023, we may at our option redeem the November 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2025 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to November 11, 2023, we may redeem up to 35% of the aggregate principal amount of the November 2025 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.7% of the principal amount of the November 2025 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On May 11, 2021, the trustee for the November 2025 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

June 2026 Notes

On June 1, 2021, we entered into an indenture (as amended or supplemented from time to time, the "June 2026 Indenture"). Pursuant to the June 2026 Indenture, we issued an aggregate principal amount of US$300,000,000 of the June 2026 Notes on June 1, 2021. As of the date of this offering memorandum, the entire principal amount of the June 2026 Notes is outstanding.

Guarantee

The obligations pursuant to the June 2026 Notes are guaranteed by our existing subsidiaries (the "June 2026 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the June 2026 Indenture. Each of the June 2026 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the June 2026 Notes.

Interest

The June 2026 Notes bear interest at 11.65% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2021.

Covenants

Subject to certain conditions and exceptions, the June 2026 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;
- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The June 2026 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the June 2026 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the June 2026 Indenture. If an event of default occurs and is continuing, the trustee under the June 2026 Indenture or the holders of at least 25% of the outstanding June 2026 Notes may declare the principal of the June 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding June 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the June 2026 Notes is June 1, 2026.

At any time and from time to time on or after June 1, 2024, we may at our option redeem the June 2026 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on June 1 of the year indicated below.

Period	Redemption Price
2024	104%
2025	102%

At any time prior to June 1, 2024, we may at our option redeem the June 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the June 2026 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to June 1, 2024, we may redeem up to 35% of the aggregate principal amount of the June 2026 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 111.65% of the principal amount of the June 2026 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On June 1, 2021, the trustee for the June 2026 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

July 2022 Notes

On July 23, 2021, we entered into an indenture (as amended or supplemented from time to time, the "July 2022 Indenture"). Pursuant to the July 2022 Indenture, we issued an aggregate principal amount of US$200,000,000 of the July 2022 Notes. As of the date of this offering memorandum, the entire principal amount of the July 2022 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2022 Notes are guaranteed by our existing subsidiaries (the "July 2022 Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the July 2022 Indenture. Each of the July 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, any premium (if any) and interest on, and all other amounts payable under, the July 2022 Notes.

Interest

The July 2022 Notes bear interest at 8.65% per annum, payable semi-annually in arrears on January 23, 2022 and July 22, 2022.

Covenants

Subject to certain conditions and exceptions, the July 2022 Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing preferred stock;
- making investments or other restricted payments;
- paying dividends or making other distributions;
- repurchasing or redeeming capital stock;
- guaranteeing indebtedness;
- entering into certain transactions with affiliates;
- creating liens;
- entering into sale and leaseback transactions;

- selling assets;
- entering into agreements that restrict restricted subsidiaries' ability to pay dividends;
- issue and sell capital stock of restricted subsidiaries;
- effect a consolidation or merger; and
- engaging in different business activities.

Events of Default

The July 2022 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2022 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the July 2022 Indenture. If an event of default occurs and is continuing, the trustee under the July 2022 Indenture or the holders of at least 25% of the outstanding July 2022 Notes may declare the principal of the July 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we are required to make an offer to repurchase all outstanding July 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2022 Notes is July 22, 2022.

At any time prior to July 22, 2022, we may at our option redeem the July 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2022 Notes plus the applicable premium, as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 22, 2022, we may redeem up to 35% of the aggregate principal amount of the July 2022 Notes with the net cash proceeds of one or more sales of our common stock in an equity offering at a redemption price of 108.65% of the principal amount of the July 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Intercreditor Agreement

On July 23, 2021, the trustee for the July 2022 Notes executed a supplement to the Intercreditor Agreement dated July 21, 2016 to become a secured party under the Intercreditor Agreement and to share the collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

September 2020 Securities

On September 23, 2020, we entered into a trust deed pursuant to which we issued US$200 million senior perpetual capital securities. The September 2020 Securities confer a right to receive distributions. Distributions are payable semi-annually in arrear on March 30 and September 30 in each year, commencing on March 30, 2021. The rate of distribution shall be (i) in respect of the period from, and including, the issue date to, but excluding the first reset date, 10.875 per cent., and (ii) in respect of the periods (a) from, and including, the first reset date to, but excluding, the immediately following reset date, the relevant distribution rate. There is no maturity date. As of the date of this offering memorandum, the entire principal amount of the September 2020 Securities is outstanding.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes", the term "Company" refers only to Kaisa Group Holdings Ltd., a company incorporated with limited liability under the laws of the Cayman Islands, 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 below) 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 initial Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Security Documents (as defined below) and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee 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 all other unsecured, unsubordinated Indebtedness (as defined below) of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the collateral serving as security therefor (other than the Collateral) (as defined below); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral", the Notes will be secured by a pledge of the Collateral as described below under the caption "— Security" and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens (as defined below) and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on September 7, 2022, unless earlier redeemed pursuant to the terms thereof and the Indenture (the "Maturity Date").

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues". Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 10.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrear on March 8, 2022 and September 7, 2022 (each an "Interest Payment Date").

Interest on the Notes will be paid to Holders of record at the close of business on February 21, 2022 and August 23, 2022 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1. In any case in which the date of the payment of principal of or premium (if any) or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal or premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360 day year comprised of twelve 30-day months.

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 by wire transfer 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 or by wire transfer. Interest payable on the Notes held through Euroclear and Clearstream will be available to Euroclear and Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries" other than Kaisa Property Holdings Limited, Kaisa Ventures Limited, Dragon Range Holdings Limited, Star Joy Holdings Limited, Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited, Central Broad (Hong Kong) Investment Limited, Victor Select Limited, Ye Chang Investment Company Limited, Greater Sail Limited, Kaisa WeWa Space (China) Limited and their respective Subsidiaries. However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries", the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes.

On the Original Issue Date, the initial Subsidiary Guarantors will be Chang Ye Investment Company Limited (昌業投資有限公司), Da Hua Investment Company Limited (大華投資有限公司), Dong Chang Investment Company Limited (東昌投資有限公司), Dong Sheng Investment Company Limited (東升投資有限公司), Guang Feng Investment Company Limited (廣豐投資有限公司), Heng Chang Investment Company Limited (恒昌投資有限公司), Jie Feng Investment Company Limited (捷豐投資有限公司), Jin Chang Investment Company Limited (進昌投資有限公司), Rong Hui Investment Company Limited (榮輝投資有限公司), Rui Jing Investment Company Limited (瑞景投資有限公司), Tai He Xiang Investment Company Limited (泰和詳投資有限公司), Yifa Trading Limited (益發貿易有限公司), Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), Tai He Sheng Investment Company Limited (泰和盛投資有限公司), Tai An Da Investment Company Limited (泰安達投資有限公司), Tai Chang Jian

Investment Company Limited (泰昌建投資有限公司), Tai Chong Fa Investment Company Limited (泰昌發投資有限公司), Tai Chong Li Investment Company Limited (泰昌利投資有限公司), Bakai Investments Limited (八凱投資有限公司), Advance Guard Investments Limited (先驅投資有限公司), Central Broad Limited (中博有限公司), Guo Cheng Investments Limited (國承投資有限公司), Ri Xiang Investments Limited (日翔投資有限公司), Yin Jia Investments Limited (銀佳投資有限公司), Jet Smart Global Development Limited (捷利環球發展有限公司), Apex Walk Limited (崴行有限公司), Vast Wave Limited (廣濤有限公司), Fulbright Financial Group (Enterprise) Limited (富昌金融集團(企業)有限公司), Fulbright Financial Group (Development) Limited (富昌金融集團(發展)有限公司), Kaisa Investment Consulting Limited, Goldenform Company Limited, Hong Kong Jililong Industry Co., Limited, Kaisa Holdings Limited, Leisure Land Hotel Management (China) Limited, Regal Silver Manufacturing Limited, Success Take International Limited, Woodland Height Holdings Limited, Yi Qing Investment Company Limited, Yong Rui Xiang Investment Company Limited, Kaisa Investment (China) Limited, Wan Rui Fa Investment Company Limited, Wan Rui Chang Investment Company Limited, Wan Tai Chang Investment Company Limited, Wan Jin Chang Investment Company Limited, Multi-Shiner Limited, Hong Kong Kaisa Industry Co., Limited, Bakai Investments (Hong Kong) Limited, Topway Asia Group Limited, Kaisa Financial Group (China) Company Limited, Hong Kong Kaisa Trading Limited, Hong Kong Wanyuchang Trading Limited, Hong Kong Zhaoruijing Trading Limited, Guo Cheng (Hong Kong) Investment Limited, Ri Xiang (Hong Kong) Investment Limited, Yin Jia (Hong Kong) Investment Limited, Rich Tech Hong Kong Investment Limited, Apex Walk (Hong Kong) Limited, Vast Wave (Hong Kong) Limited and Fulbright Financial Group (Hong Kong) Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") and the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries," and together with the Other Non-Guarantor Subsidiaries, the "Existing Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date. The initial Subsidiary Guarantors do not have significant operations or assets.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries 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 the Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company. See "Risk Factors — 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".

As of December 31, 2020,

- the Company and its consolidated subsidiaries had approximately RMB121,471.0 million (US$18,616.2 million) of consolidated indebtedness outstanding, of which approximately RMB31,231.8 million (US$4,786.5 million) was secured;
- the Company and the Subsidiary Guarantors had approximately RMB68,987.5 million (US$10,572.8 million) of secured indebtedness outstanding; and
- the Non-Guarantor Subsidiaries had approximately RMB52,483.5 million (US$8,043.4 million) of consolidated indebtedness and other liabilities outstanding owed to third parties.

In addition, as of December 31, 2020, the Non-Guarantor Subsidiaries had approximately RMB29,245.6 million (US$4,482.1 million) of capital commitments and RMB27,272.6 million (US$4,179.7 million) of financial guarantees.

The Company will cause each of its future Subsidiaries (other than Subsidiaries organized under the laws of the PRC or Exempted Subsidiaries), as soon as practicable after such Subsidiary becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (the "New Non-Guarantor Subsidiary" and, together with the Existing Non-Guarantor Subsidiaries, 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 (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20% of Total Assets. Each Subsidiary of the Company that guarantees the Notes after the Original Issue Date other than through a JV Subsidiary Guarantee is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor".

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date or any entity (1) that is incorporated in any jurisdiction other than the PRC and (2) in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) in the case of any other entity, is proposing to purchase the Capital Stock of such entity such that it becomes a Subsidiary and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or as soon as practicable after the consummation of such sale or purchase, provide 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 (other than Exempted Subsidiaries), if the following conditions are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any such Restricted Subsidiary that would have the effect of (1) prohibiting the Company or any such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (2) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Common Security Trustee (as defined below):

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries) and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount (as defined below);

  (ii) a duly executed Security Document that pledges in favor of the Common Security Trustee on behalf of the Trustee and the holders of the Notes the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is legal, valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

The JV Subsidiary Guarantee of any JV Subsidiary Guarantor:

- is a general obligation of such JV Subsidiary Guarantor;
- is enforceable only up to the JV Entitlement Amount;
- is effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is limited to the JV Entitlement Amount, and 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;
- is limited to the JV Entitlement Amount, and ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral", the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of any 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 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 right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Each

JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantee 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 could be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees".

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Certain Covenants — Limitation on Asset Sales", and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become "New Non-Guarantor Subsidiaries" (such that each New Non-Guarantor Subsidiary will no longer guarantee the Notes) and (b) instruct the Common Security Trustee to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the

Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

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 Restricted Subsidiary of Capital Stock in (x) such Subsidiary Guarantor or (y) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any such Restricted Subsidiary that would have the effect of (1) prohibiting the Company or any such Restricted Subsidiary from releasing such Subsidiary Guarantee or (2) requiring the Company or any such Restricted Subsidiary to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, if applicable, the Common Security 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) a duly executed Security Document that pledges in favor of the Common Security Trustee on behalf of the Trustee and the holders of the Notes the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantees have been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is legal, valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the "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.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Security

Each of the Company and the initial Subsidiary Guarantor Pledgors has pledged the Capital Stock of the initial Subsidiary Guarantors (the "Collateral") owned by it (subject to Permitted

Liens and the Intercreditor Agreement) in order to secure the obligations of the Company and such Subsidiary Guarantor Pledgor under the Existing Notes. On the Original Issue Date, the Trustee will execute a supplement to and become a party to the Intercreditor Agreement, at which time the Trustee will become a Secured Party (as defined below) under the Intercreditor Agreement, and the Holders of the Notes issued on the Original Issue Date will be entitled to share in the benefit of the pledge of such Capital Stock on a *pari passu* basis with the holders of the Existing Notes and the holders of any other Permitted Pari Passu Secured Indebtedness. See "— *Intercreditor Agreement*".

The initial Subsidiary Guarantor Pledgors are Chang Ye Investment Company Limited (昌業投資有限公司), Da Hua Investment Company Limited (大華投資有限公司), Dong Chang Investment Company Limited (東昌投資有限公司), Dong Sheng Investment Company Limited (東升投資有限公司), Guang Feng Investment Company Limited (廣豐投資有限公司), Heng Chang Investment Company Limited (恒昌投資有限公司), Jie Feng Investment Company Limited (捷豐投資有限公司), Jin Chang Investment Company Limited (進昌投資有限公司), Rong Hui Investment Company Limited (榮輝投資有限公司), Rui Jing Investment Company Limited (瑞景投資有限公司), Tai An Da Investment Company Limited (泰安達投資有限公司), Tai Chang Jian Investment Company Limited (泰昌建投資有限公司), Tai Chong Fa Investment Company Limited (泰昌發投資有限公司), Tai Chong Li Investment Company Limited (泰昌利投資有限公司), Tai He Sheng Investment Company Limited (泰和盛投資有限公司), Tai He Xiang Investment Company Limited (泰和詳投資有限公司), Zheng Zhong Tian Investment Company Limited (正中天投資有限公司), Bakai Investments Limited (八凱投資有限公司), Yifa Trading Limited (益發貿易有限公司), Kaisa Holdings Limited, Central Broad Limited (中博有限公司), Guo Cheng Investments Limited (國承投資有限公司), Ri Xiang Investments Limited (日翔投資有限公司), Yin Jia Investments Limited (銀佳投資有限公司), Jet Smart Global Development Limited (捷利環球發展有限公司), Apex Walk Limited (崴行有限公司), Vast Wave Limited (廣濤有限公司), Fulbright Financial Group (Enterprise) Limited (富昌金融集團(企業)有限公司) and Fulbright Financial Group (Development) Limited (富昌金融集團(發展)有限公司).

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future (unless they cease to be Non-Guarantor Subsidiaries). In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Restricted Subsidiaries as security in favor of the Common Security Trustee.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor, to secure (subject to Permitted Liens) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor".

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture, the Security Documents and the Intercreditor Agreement. See "Security — Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness".

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an

Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens (as defined below) on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Guarantee (as defined below) with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); provided that (i) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "Limitation on Indebtedness and Preferred Stock", (ii) the holders (or their representative) of such Indebtedness (other than Additional Notes) become party to the Intercreditor Agreement referred to below, (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents, and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and/or the Common Security Trustee an Opinion of Counsel and an Officers' Certificate, each with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents or (y) no such action is necessary to make such Lien effective. The Trustee and/or the Common Security Trustee, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited, as the shared security agent (the "Common Security Trustee") and other secured parties thereto, have entered into an amended and restated intercreditor agreement dated July 21, 2016 (such intercreditor agreement, as so supplemented and amended from time to time, the "Intercreditor Agreement"), to which the Trustee will accede on the Original Issue Date. Pursuant to the Intercreditor Agreement, the Existing Notes Trustee and the Trustee agree to (1) share the Collateral on an equal and ratable basis, (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral, and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

In connection with any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement and become parties to it. The Common Security Trustee, the Trustee, the Existing Notes Trustee and the holders of future Permitted Pari Passu Secured Indebtedness (or their representative) are collectively referred to as the "Secured Parties."

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement required and permitted under the Indenture.

Enforcement of Security

The Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Common Security Trustee. The Common Security Trustee, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Trustee (acting in accordance with written instruction of the Holders) and subject to receiving indemnity and/or security to its satisfaction to exercise remedies under the Security Documents. The Common Security Trustee has agreed to act as secured party on behalf of the Holders and the Trustee under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Common Security Trustee has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide, among other things, that any Secured Party may instruct the Common Security Trustee to enforce the Collateral and to deliver a notice of enforcement to the Company and the applicable Subsidiary Guarantor Pledgor (such instructions, the "Enforcement Instructions"). Upon receipt of an Enforcement Instruction from any Secured Party, the Common Security Trustee will provide a copy of such Enforcement Instruction and notice of enforcement to the Company and the other Secured Parties. If (a) the Common Security Trustee identifies a conflict (i) between Secured Parties' interests in connection with any Enforcement Instruction or (ii) in the event that each of the Secured Parties issues Enforcement Instructions, between those Enforcement Instructions, and (b) the Common Security Trustee believes in its sole discretion that the interests of the Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Common Security Trustee to contravene another Enforcement Instruction, the Common Security Trustee shall notify each Secured Party in writing not more than five Business Days after it becomes aware of such conflict. In such circumstances, the Common Security Trustee is not obligated to take any action if it identifies such conflict.

The Intercreditor Agreement provides that any proceeds from any sale, collection, liquidation or enforcement of the Collateral shall be distributed by the Common Security Trustee in accordance with the terms of the Intercreditor Agreement and subject to the conditions of the relevant Security Document. Such proceeds shall be applied as follows:

first, to the Common Security Trustee for any unpaid fees, costs and expenses (including any indemnity expenses) reasonably incurred thereunder;

second, pro rata to each of the Trustee, the Existing Notes Trustee and any agent, trustee or representative as a secured party for any series of Permitted Pari Passu Secured Indebtedness for any unpaid fees, costs and expenses (including any indemnity expenses) reasonably incurred under the applicable secured party document;

third, pro rata to each of the Trustee for the benefit of the Holders, the Existing Notes Trustee for the benefit of holders of the Existing Notes and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative for the benefit of such holders) in accordance with the terms of the applicable secured party document; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Trustee and/or the Common Security Trustee may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Common Security Trustee's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Trustee's Liens on the Collateral. Neither the Trustee, the Common Security Trustee nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, title or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness, adequacy or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection,

priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Common Security Trustee for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Common Security Trustee arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Common Security Trustee.

This section, "— Enforcement of Security", shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pari Passu Secured Indebtedness" above.

Release of Security

Subject to the provisions of the Indenture, the Security Documents and Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in relation to the Notes and the Subsidiary Guarantees in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Certain Covenants — Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in whole or in part, with the requisite consent of the Holders in accordance with the provisions described under "— Amendments and Waiver";
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor or its Subsidiaries in its direct and indirect Subsidiaries, in accordance with the terms of the Indenture; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

No release of the Collateral shall be effective against the Common Security Trustee, the Trustee or the Holders until the Company and the relevant Subsidiary Guarantor Pledgor have delivered to the Common Security Trustee and the Trustee an Officers' Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture, the Security Documents and the Intercreditor Agreement.

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer

restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time prior to September 7, 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, the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

In addition, at any time prior to September 7, 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 110.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

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, the Notes will be selected for redemption as follows:

- if the Notes are listed on any securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal securities exchange on which the Notes are then listed and/or the requirements of the clearing systems; or
- if the Notes are not listed on any securities exchange and/or held through the clearing systems, on a pro rata basis or by lot or such other method as the Trustee may determine in its sole and absolute discretion, unless otherwise required by law.

However, no Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event (as defined below), 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 failure by the Company 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 other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (i) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event, (ii) provide that a Change of Control Triggering Event is a default or (iii) 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 ability of the Company to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's 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 or repay the Notes upon a Change of Control Triggering Event".

The definition of Change of Control includes a phrase "all or substantially all" as used with respect to the assets of the Company. No precise definition of the phrase has been established under applicable law, and the phrase will likely be interpreted under applicable law of the relevant jurisdictions based on particular facts and circumstances. Accordingly, there may be a degree of uncertainty as to the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to monitor or to take any steps to ascertain whether a Change of Control Triggering Event, or any event which could lead to the occurrence of a Change of Control Triggering Event, has occurred or may occur.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on, the Notes or under the Subsidiary Guarantees or the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or an applicable JV Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person, the applicable Subsidiary Guarantor or the applicable JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(a) for or on account of:

  (i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

    (A) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or Security Document, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, 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;

(B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or JV Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or

(D) 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;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(iii) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, or any other agreement pursuant to the implementation of FATCA; or

(iv) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii) and (iii); or

(b) 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 for tax purposes in the income under the laws of a Relevant Jurisdiction 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, premium or interest in respect of any Note, any Subsidiary Guarantee or any 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 Tax Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position, or the stating of an official position, regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after (i) with respect to the Company or any initial Subsidiary Guarantor, the Original Issue Date or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, as the case may be, with respect to any payment due or to become due under the Notes or the Indenture, the Company, such Subsidiary Guarantor, JV Subsidiary Guarantor or such Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Subsidiary Guarantor, JV Subsidiary Guarantor or such Surviving Person, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, such Subsidiary Guarantor, such JV Subsidiary Guarantor or such Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Subsidiary Guarantor, a JV Subsidiary Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case, of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled to and shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(a) 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 any Preferred Stock; provided that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary, may Incur each and all of the following ("Permitted Indebtedness"):

(1) Indebtedness under the Notes (excluding any Additional Notes), each Subsidiary Guarantee and each JV Subsidiary Guarantee;

(2) any Pari Passu Guarantees;

(3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this covenant; provided that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; provided that (x) 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 (b)(4), and (y) if the Company is the obligor on such Indebtedness, such Indebtedness must be expressly 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 or any other Subsidiary Guarantor or JV Subsidiary Guarantor is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(5) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under clause (a) or clause (b)(1), (b)(2), (b)(3), (b)(7), (b)(16), (b)(17), (b)(19), (b)(20), (b)(22) or (b)(23) of this covenant 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 (A) 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, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (b)(5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, 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 *pari passu* with, or subordinate in right of payment to, the remaining Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, 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, such Subsidiary Guarantee or such JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee, (B) 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 and (C) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause (b)(5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor;

(6) 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 Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(7) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (i) all or any part of the purchase price 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 a Restricted Subsidiary in the 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 such acquisition, become a Restricted Subsidiary (other than as provided for in the second proviso of this clause (b)(7)) or (ii) 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 the Permitted Business; provided, however, that in each case (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 aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(7) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(16), (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under this clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets; provided further that, without prejudice to the first proviso in this clause (b)(7), the Company and any Restricted Subsidiary may Incur Indebtedness for the purpose of financing all or any part of the purchase price 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 a Restricted Subsidiary in the Permitted Business through the acquisition of Capital Stock of any Person which will not, upon such acquisition, become a Restricted Subsidiary if on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all Indebtedness Incurred in reliance on this second proviso of this clause (b)(7) (together with refinancings of all such Indebtedness) does not exceed an amount equal to 10.0% of Total Assets;

(8) 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);

(9) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary, as applicable, of a demand for reimbursement;

(10) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition); provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;

(11) 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;

(12) (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 clause (b)(7) above or clauses (b)(14) and (b)(16) 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;

(13) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(14) 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 (b)(14) at any time outstanding does not exceed US$35.0 million (or the Dollar Equivalent thereof);

(15) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price in the form of installment payments pursuant to a Staged Acquisition Agreement;

(16) Preferred Stock or Disqualified Stock issued by a Restricted Subsidiary or Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee by, or grant of a Lien on assets of, the Company or such Restricted Subsidiary in favor of any Insurance Company Investor in respect of the obligation of any Subsidiary of such Restricted Subsidiary to pay a guaranteed or preferred dividend or return on any shares of Capital Stock of such Subsidiary held by such Insurance Company Investor (including any shares of Preferred Stock or Disqualified Stock which may be issued by such Subsidiary pursuant to this clause (b)(16) to such Insurance Company Investor); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(16) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (b)(7) above and clauses (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(17) 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$25.0 million (or the Dollar Equivalent thereof);

(18) Indebtedness constituting a Subordinated Shareholder Loan;

(19) Indebtedness Incurred by any 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 the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(19) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7) and (b)(16) above and clauses (b)(20), (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such

Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(20) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of such Indebtedness permitted by this clause (b)(20) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16) and (b)(19) above and clauses (b)(21), (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(21) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, if the aggregate of all Indebtedness Incurred under this clause (b)(21) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16), (b)(19) and (b)(20) above and clauses (b)(22) and (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(22) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (b)(22) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16), (b)(19), (b)(20) and (b)(21) above and clause (b)(23) below and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets; and

(23) 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 aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (b)(23) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (b)(7), (b)(16), (b)(19), (b)(20), (b)(21) and (b)(22) above and the refinancings of all such Indebtedness Incurred hereunder and thereunder, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets.

(c) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, 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.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this

covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (a) through (d) below being collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Company's, or payable or paid solely in shares of any Restricted Subsidiary's, Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of the Company, any Restricted Subsidiary or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary (excluding (i) the purchase of any shares of Capital Stock of any Person pursuant to a Staged Acquisition Agreement and (ii) the purchase of any shares of Capital Stock of any Restricted Subsidiary held by any Insurance Company Investor);

(c) 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, any Subsidiary Guarantee or any JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(d) 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 the first sentence of clause (a) of the covenant described under the caption "— 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 (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual fiscal period in which the Measurement Date occurred and ending on the last day of the Company's most recently ended fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); 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 Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the 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 (w) 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), (x) the unconditional release of a guarantee provided by the Company or any Restricted Subsidiary after the Measurement Date of an obligation of another Person, (y) the net cash proceeds from the sale of any such Investment (except to the extent such proceeds are included in the calculation of Consolidated Net Income) or (z) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary that is not, directly or indirectly, Wholly Owned by the Company payable on a pro rata basis or on a basis more favorable to the Company to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) the 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;

(7) (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$25.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

(8) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this "— Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(9) repurchases of Capital Stock deemed to occur upon the surrender by the holder of a stock option of shares of Capital Stock otherwise issuable upon exercise of such stock options as payment of a portion of the exercise price thereof;

(10) dividends paid to any Insurance Company Investor in respect of any Preferred Stock or Disqualified Stock issued by or any Indebtedness Incurred by any Restricted Subsidiary under paragraph (b)(16) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(11) any payments made pursuant to the CVR Agreement;

(12) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

(13) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20.0% of profit for the year on the Company's consolidated financial statements in any fiscal year ending after the Original Issue Date; or

(14) the distributions or payments of Securitization Fees in connection with Receivable Financings;

provided that, in the case of clause (2), (3), (4) or (13) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (13) of the preceding paragraph made after the Measurement Date shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof)) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or

securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities 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 (other than any Restricted Payment set forth in clauses (5) through (14) above and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof)) in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) 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:

(1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(2) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(3) make loans or advances to the Company or any other Restricted Subsidiary; or

(4) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that it being understood that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(1) existing in agreements as in effect on the Original Issue Date, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Guarantee, or in 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 than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(2) existing under or by reason of applicable law, rule, regulation or order;

(3) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, or in 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;

(4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) 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 (z) 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;

(5) 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;

(6) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (b)(7), (b)(14), (b)(16), (b)(19), (b)(20), (b)(21), (b)(22) and (b)(23) of the "— Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, such encumbrances or restrictions (x) are customary for such types of agreements and (y) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make any required payment on the Notes, or in 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;

(7) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(8) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, or in 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 Restricted Subsidiary;

(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 Restricted Subsidiary;

(3) for the issuance or sale of the 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 if the Company complies with the "— Limitation on Asset Sales" covenant; provided that, paragraph (c) of clause (16) of the definition of "Permitted Investments" shall not apply if such Restricted Payment would otherwise have been permitted under clause (16) of such definition;

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Notwithstanding the foregoing, a Restricted Subsidiary may issue Common Stock to its shareholders on a pro rata basis or on a basis more favorable to the Company and its Restricted Subsidiaries.

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 or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (a) (1) 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 (2) 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 until the Notes have been paid in full, or (b) such guarantee is permitted by clause (b)(3), (b)(4), (b)(12)(ii) (other than, in the case of clause (b)(12)(ii), (x) a guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of such PRC Subsidiary or (y) a guarantee by a non-PRC Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor of Indebtedness of a Subsidiary Guarantor or a JV Subsidiary Guarantor) or (b)(20) (in the case of clause (b)(20), with respect to the guarantee provided by any Restricted Subsidiary which is not a Subsidiary Guarantor or JV Subsidiary Guarantor through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any guarantee or letter of credit or similar instrument to guarantee) any Bank Deposit Secured Indebtedness), under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock".

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or 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 (B) 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 exceed 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 (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (b) with 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 arm's-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company or such Restricted Subsidiary; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion issued by an accounting, appraisal or investment banking firm of recognized international standing as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any Subsidiary Guarantor or between or among Subsidiary Guarantors;

(3) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(4) any Restricted Payment of the type described in clause (a), (b) or (c) of the first paragraph of the covenant described under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(5) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(6) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Restructuring, including, without limitation, 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; and

(8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Restructuring and in compliance with the rules of the relevant 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, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among (A) any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; provided that in the case of this clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Minority Joint Venture, Unrestricted Subsidiary or Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clause (a) or (b) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be) and (iv) any Investment by the Company or any Restricted Subsidiary in accordance with the requirements under clause (16) of the definition of "Permitted Investment" on a pro rata basis based on its percentage ownership at the time of such Investment.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Company or any Restricted Subsidiary could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption "— Limitation on Liens", in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(b) 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

(c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described under the caption "— 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:

(a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(b) 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;

(c) 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$35.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any 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 the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (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 in properties or assets that will be used in the Permitted Business (including any shares of Capital Stock in a Person holding such properties or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds". Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equals to or exceeds 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:

(i) accumulated Excess Proceeds, multiplied by

(ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro

rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments".

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 (a) in the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in this offering memorandum and (b) 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 (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) neither the Company nor any Restricted Subsidiary guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; (d) 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, 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 the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens"; (e) 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 as Unrestricted Subsidiaries in accordance with this paragraph; and (f) 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 the caption "Limitation on Restricted Payments" (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Subsidiaries in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, provided that (i) the Board of Directors of the Company has determined in good faith that the designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Liens"; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (e) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a

Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "— The Subsidiary Guarantees and JV Subsidiary Guarantees"; and (f) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged to the extent required under "— Security".

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (a) 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 Business, (b) 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 (c) 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 (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (2) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the 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 an Investment Grade Rating from two of the three Rating Agencies and no Default or Event of 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 an Investment Grade rating from at least two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants— Limitation on Sale and Leaseback Transactions";

(7) "— Certain Covenants — Limitation on Asset Sales";

(8) "— Certain Covenants — Limitation on the Company's Business Activities"; and

(9) clauses (3) and (4) of the first and second paragraphs of "— Consolidation, Merger and Sale of Assets".

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant described under the caption "— 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 the caption "— 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 an Investment Grade rating or that, if achieved, any such rating will be maintained.

Provision of Financial Statements and Reports

(a) 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 securities exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that, if at any time the ordinary shares of the Company cease to be listed for trading on a recognized securities exchange, the Company will file with the Trustee and furnish to the Holders:

(1) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants;

(2) as soon as they are available, but in any event within 45 calendar days after the end of the first semi-annual fiscal period of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants; and

(3) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement, prepared 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.

(b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (2) 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 or an Event of Default, an Officers' Certificate setting forth the details of such Default or Event of 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:

(a) 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;

(b) 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;

(c) default in the performance or breach of the provisions of the covenants described under the caption "— Consolidation, Merger and Sale of Assets", the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Certain Covenants — Limitation on Asset Sales", or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security";

(d) 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 (a), (b) or (c) 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 (with a copy to the Trustee if given by the Holders);

(e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary (other than a Subordinated Shareholder Loan) 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, (1) 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 (2) a failure to make a principal payment when due;

(f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (or the Dollar Equivalent thereof, in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) 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;

(h) the Company or any Significant Restricted Subsidiary (1) 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, (2) 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 (3) effects any general assignment for the benefit of creditors;

(i) any Subsidiary Guarantor or any 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;

(j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; and

(k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Common Security Trustee on behalf of the Trustee and the Holders ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) 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 receiving indemnity and/or security 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 (g) or (h) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment 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

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to receiving indemnity and/or security to its satisfaction), instruct the Common Security Trustee to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate or is directed by the Holders of at least 25% in aggregate principal amount of outstanding Notes. See "— Security".

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law, the Indenture or the Security Documents that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from such Holders. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or 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.

Two Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and the Security Documents and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and the Security Documents. See "— Provision of Financial Statements and Reports".

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin Islands, Hong Kong or the United States or any jurisdiction thereof and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, or from or through which payment is made, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction on a *pro forma* basis, the 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;

(d) 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 the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(f) 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 this covenant, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(g) no Rating Decline shall have occurred if the Notes are rated.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(A) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or 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 by executing and delivering a supplemental indenture to the Indenture or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor;

(B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(C) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(D) 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 the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(E) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D)) and (2) 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

(F) no Rating Decline shall have occurred if the Notes are rated;

provided that this paragraph shall not apply to (1) any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "The Subsidiary Guarantees and JV Subsidiary Guarantees — Release of Subsidiary Guarantees and JV Subsidiary Guarantees" and (2) 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.

For the avoidance of doubt, for purposes of this covenant, a sale of shares of Capital Stock of a Restricted Subsidiary which holds all or substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Restricted Subsidiary where such Restricted Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, immediately after such sale, owns at least 30.0% of the Voting Stock of such Restricted Subsidiary shall not constitute a sale of substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to hold monies for payment in trust and to pay compensation to the Trustee in accordance with the Indenture) if, among other things:

(a) the Company has (1) deposited with the Trustee (or its agent), in trust, money in U.S. dollars 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 U.S. dollars in an amount sufficient (without consideration of investment or reinvestment) 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 (2) delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(b) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(c) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (c), (d) and (e)(1) under the first paragraph and clauses (C), (D) and (E)(1) 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 (c) under "Events of Default" with respect to such clauses (c), (d) and (e)(1) under the first paragraph and clauses (C), (D) and (E)(1) under the second

paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (d) under "Events of Default" with respect to such other covenants and clauses (e) and (f) 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 in U.S. dollars, 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 U.S. dollars in an amount sufficient (without consideration of investment or reinvestment) to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes 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 (or its agent) 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 and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(b) comply with the provisions described under "Consolidation, Merger and Sale of Assets";

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) 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 provided or permitted by the terms of the Indenture;

(e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(f) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Indenture;

(g) add additional Collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional Collateral;

(h) 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;

(i) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear and Clearstream;

(j) permit Permitted Pari Passu Secured Indebtedness in accordance with the terms of the Indenture (including, without limitation, permitting the Trustee to enter into the Intercreditor Agreement or any amendments to the Security Documents or the Indenture, the appointment of any common security trustee or collateral agent under any Intercreditor Agreement to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness and taking any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(k) make any other change that, in the good faith opinion of the Board of Directors, does not materially and adversely affect the rights of any Holder; or

(l) 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 of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Common Security Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in aggregate principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture, the Notes, the Intercreditor Agreement or any Security Document; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, or premium, if any, or interest on, any Note;

(c) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(d) 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;

(e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(g) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(h) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;

(i) 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;

(j) amend, change or modify any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(k) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture, such Security Document or such Intercreditor Agreement;

(l) 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 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 from any Asset Sale;

(m) change the redemption date or the redemption price of the Notes from that stated under "— Optional Redemption" or "— Redemption for Tax Reasons";

(n) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(o) 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.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either:

(a) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or

(b) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable written instructions from the Issuer directing the Trustee or the Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor has paid all other sums payable under this Indenture;

(3) such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is a party or by which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is bound (other than the Indenture, the Notes or any Security Document).

In addition, the Company must deliver to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge have been satisfied.

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, Members, 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 or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, director, employee or controlling person of the Company or 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 JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under any applicable law.

Concerning the Trustee, the Common Security Trustee and the Agents

Citicorp International Limited is to be appointed as Trustee under the Indenture and Citibank, N.A., London Branch (a banking corporation organized and existing under the laws of the State of New York with limited liability) is to be appointed as paying agent (the "Paying Agent"), as transfer agent (the "Transfer Agent") and as Registrar (the "Registrar" and together with the Paying Agent and the Transfer Agent, the "Agents") with regard to the Notes. Except during the continuance of an Event of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, 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 with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Citicorp International Limited will initially act as the Common Security Trustee under the Security Documents in respect of the security over the Collateral. The Common Security Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Common Security Trustee may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Common Security Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders, unless such Holders have offered to the Common Security Trustee indemnity and/or security satisfactory to the Common Security Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Common Security Trustee that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee and the Common Security Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a "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 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.

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. 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. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts".

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner

thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take any action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global 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 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.

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 immediately available 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 Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed 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 or the Registrar 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 or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal office of the Company; (if intended for the Trustee) addressed to 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.

While the Notes are in global form, 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 and Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear and Clearstream 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 (i) 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, the Indenture or any transaction contemplated thereby and (ii) designate and appoint Cogency Global Inc., currently at 122 East 42nd Street, 18th Floor, New York, NY 10168, the United States, for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, 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.

"2022 Notes" means the 8.5% senior notes due June 30, 2022 issued by the Company.

"2023 Notes" means the 9.75% senior notes due September 28, 2023 issued by the Company.

"2024 Notes" means the 9.375% senior notes due June 30, 2024 issued by the Company.

"2025 Notes" means the 11.25% senior notes due April 26, 2025 by the Company.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)"or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after September 7, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) 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 (i) or (ii). 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.

"April 2022 Notes" means the 11.25% senior notes due April 9, 2022 issued by the Company.

"Applicable Premium" means with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on September 7, 2022, plus all required remaining scheduled interest payments due on such Note through September 7, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note.

"Asset Acquisition" means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary which accounts for all or substantially all of the assets of such Restricted Subsidiary).

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction and including any sale or issuance of the Capital Stock of any Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; provided that "Asset Sale" shall not include:

(a) sales, transfers 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;

(b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments";

(c) 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;

(d) 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;

(e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(f) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets"; and

(g) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary to the Company or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of foreign currencies or remit money onshore or offshore.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 35.0% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election was approved by a vote of at least a majority of the members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this "Change of Control" definition, a sale of shares of Capital Stock of a Restricted Subsidiary which holds all or substantially all properties and assets of the Company, and its Restricted Subsidiaries, taken as a whole, to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Restricted Subsidiary where such Restricted Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, immediately after such sale, owns, directly or indirectly, at least 30.0% of the Voting Stock of such Restricted Subsidiary shall not constitute a sale of substantially all properties and assets of the Company and its Restricted Subsidiaries.

"Change of Control Triggering Event" means (i) the occurrence of both a Change of Control and a Rating Decline if the Notes are rated by at least one Rating Agency or (ii) the occurrence of a Change of Control if the Notes are not rated.

"Clearstream" means Clearstream Banking S.A.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"Commodity Agreement" means any spot, forward, swap 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 on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to September 7, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to September 7, 2022.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements).

"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,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in

the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any 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 (i) Consolidated Interest Expense for such period and (ii) 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 dividends paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) 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, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest on Indebtedness of any other Person that is guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (vii) 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 to the extent of the amount of net income actually paid in cash to, or the amount of loss actually funded in cash by, the specified Person or a Restricted Subsidiary of the Person during such period;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary), in each case, which is not sold in the ordinary course of business of the Company or any Restricted Subsidiary;

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided that any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement, currency hedge agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"CVR" means the contingent value rights issued by the Company on July 21, 2016 pursuant to the CVR Agreement.

"CVR Agreement" means the Contingent Value Rights Agreement, dated as of July 21, 2016, between the Company and U.S. Bank National Association, as trustee.

"December 2021 Notes" means the 6.5% senior notes due December 7, 2021, issued by the Company.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "— Certain Covenants — 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 the Notes as are required to be repurchased pursuant to the "— Certain Covenants — 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 Restricted Subsidiary from a bank that are secured by a pledge of deposits or bank accounts made by another Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date to any Person other than a Wholly Owned Restricted Subsidiary or any Permitted Holder; provided that the aggregate gross cash proceeds received by the Company from such transaction shall be no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Existing Notes" means the April 2022 Notes, the 2022 Notes, the 2024 Notes, the January 2023 Notes, the July 2023 Notes, the October 2022 Notes, the November 2023 Notes, the January 2025 Notes, the July 2025 Notes, the 2025 Notes, the December 2021 Notes, the 2023 Notes, the November 2025 Notes, the June 2026 Notes and the July 2022 Notes.

"Existing Notes Trustee" means Citicorp International Limited as the trustee with respect to each series of the Existing Notes.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"Fitch" means Fitch Ratings, Ltd. and its 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 four fiscal quarter 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 include internal consolidated financial statements) (the "Four Fiscal-Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Fiscal-Quarter Period. In making the foregoing calculation:

(A) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Fiscal-Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Fiscal-Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that in the event of any such repayment or redemption, Consolidated EBITDA for such Four Fiscal-Quarter Period shall not include any interest income actually earned by the Company or such Restricted Subsidiary during such Four Fiscal-Quarter Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(C) *pro forma* effect shall be given to 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;

(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 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; and

(E) *pro forma* effect shall be given to the creation, designation or re-designation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or re-designation had occurred on the first day of such Reference Period;

provided that to the extent that clause (C) or (D) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other

obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence", "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, 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, (2) any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet) or (3) any obligations in respect of the CVRs.

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided that:

(A) 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;

(B) 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;

(C) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph (b)(6) under the "Limitation on Indebtedness and Preferred Stock" covenant or (ii) equal to the net amount payable by such Person if the Commodity Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph, and

(D) that the contingent obligations arising from letters of credit, bankers' acceptances or other similar instruments of a Restricted Subsidiary to secure Indebtedness of another Restricted Subsidiary shall not be deemed to be Indebtedness so long as such contingent obligations are used to secure the payment of Indebtedness of another Restricted Subsidiary permitted to be Incurred under the Indenture.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Insurance Company Investor" means an Independent Third Party that is a financial institution or an insurance company or an Affiliate thereof that invests in any Capital Stock of a Restricted Subsidiary.

"Intercreditor Agreement" has the meaning set forth under "— Security".

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(i) any direct or indirect advance, loan or other extension of credit to another Person,

(ii) 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),

(iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or

(iv) 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 "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments" covenants: (i) 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 proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation and (ii) 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 Property" means any property that is owned and held by any Restricted Subsidiary for long-term 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.

"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 "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's or any of its successors or assigns, or (iii) a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or (iv) the equivalent ratings

of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"January 2023 Notes" means the 11.5% senior notes due January 30, 2023 issued by the Company.

"January 2025 Notes" means the 10.5% senior notes due January 15, 2025 issued by the Company.

"July 2022 Notes" means the 8.65% senior notes due July 22, 2022 issued by the Company.

"July 2023 Notes" means the 10.875% senior notes due July 23, 2023 issued by the Company.

"July 2025 Notes" means the 9.95% senior notes due July 23, 2025 issued by the Company.

"June 2026 Notes" means the 11.65% senior notes due June 1, 2026 issued by the Company.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal quarter end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"JV Subsidiary Guarantee" has the meaning set forth under the caption"— The Subsidiary Guarantees and JV Subsidiary Guarantees".

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Measurement Date" means April 28, 2010.

"Minority Joint Venture" means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc., its affiliates, successors or assigns.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, 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 Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of

(1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(2) 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;

(3) 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; and

(4) 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

(b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, 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 Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiary" means any Restricted Subsidiary not providing a Subsidiary Guarantee or JV Subsidiary Guarantee.

"November 2023 Notes" means the 11.95% senior notes due November 12, 2023 issued by the Company.

"November 2025 Notes" means the 11.7% senior notes due November 11, 2025 issued by the Company.

"October 2022 Notes" means the 11.95% senior notes due October 22, 2022 issued by the Company.

"Offer to Purchase" means an offer to purchase the Notes by the Company from the Holders commenced by sending a notice to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision of 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 sent) (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 pursuant to the applicable procedures of Euroclear and Clearstream, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the order of the Company's agent appointed for the purpose of the Offer to Purchase (the "Tender Agent") with a copy to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the 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 the 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.

One Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Paying Agent all Notes or portions thereof so accepted together with an Officers' Certificate (with a copy to the Trustee) specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly send to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or the Registrar shall

promptly authenticate and deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each such Note purchased and each such 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 all applicable securities laws and regulations, in the event that the Company is required to repurchase the Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the 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 a JV Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel which is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Guarantee" means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; provided that (i) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor is permitted to Incur such Indebtedness under the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and (ii) such guarantee ranks *pari passu* with the 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 (i) any default in the payment of interest on any Note when the same becomes due and payable, (ii) 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, (iii) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event", or an Offer to Purchase in the manner described under the caption "— Certain Covenants — Limitation on Asset Sales" or (iv) any Event of Default specified in clause (e) of the definition of Events of Default.

"Permitted Business" means any business conducted by the Company and its Restricted Subsidiaries on the Original Issue Date and other businesses reasonably related, ancillary or complementary thereto, or any business in the financial services, internet, logistics, medical or agricultural industries or any business reasonably related, ancillary or complementary thereto.

"Permitted Holders" means any or all of the following:

(1) Mr. Kwok Ying Shing, Mr. Kwok Chun Wai and Mr. Kwok Ying Chi;

(2) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of "Affiliate") of any of the Persons specified in clause (1) of this definition;

(3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are at least 80% owned by Persons specified in clauses (1), (2) and (3) of this definition.

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and not for speculation;

(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) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under the caption "— Certain Covenants — Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be incurred under the Indenture;

(11) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of a Permitted 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 a Permitted Business;

(15) (i) deposits made in order to secure the performance of the Company or any Restricted Subsidiary, (ii) prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business; and (iii) advances to government authorities or government affiliated entities in the PRC in connection with the financing of redevelopment of old urban areas or primary land development, in each case, in the ordinary course of business that are recorded as assets on the Company's consolidated balance sheet; and

(16) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; provided that:

(a) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;

(b) none of the other shareholders of or partners in such Person is a Person described in clause (a) or (b) of the first paragraph of the covenant described under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, a Minority Joint Venture or an Unrestricted Subsidiary or by reason of being a Restricted Subsidiary, a Minority Joint Venture or an Unrestricted Subsidiary);

(c) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; provided that this paragraph (c) shall not apply if such Investment would otherwise have been permitted under this clause (16) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issue Date, shall not exceed in aggregate an amount equal to 15% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issue Date resulting from the events set forth in paragraphs (e)(i) through (e)(iii) below, where references in such paragraphs to "under this clause (16)" shall be substituted with "in reliance on the proviso in paragraph (c)");

(d) no Default has occurred and is continuing or would occur as a result of such Investment; and

(e) such Investment, together with the aggregate of all other Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to 25% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:

(i) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (16), 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),

(ii) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause (16) of an obligation of any such Person, or

(iii) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause (16);

provided, further that for the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made;

(17) guarantees permitted under clause (b)(21) of the covenant entitled "— Limitation on Indebtedness and Preferred Stock"; and

(18) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Subsidiaries in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, provided that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of such Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed an amount equal to 15% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 15% of Total Assets shall not constitute a Permitted Investment pursuant to this clause (18) but may be made, characterized and accounted for in accordance with the other provisions of the Indenture; and

(19) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing.

"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) any interest or title of a lessor in the property subject to any operating lease;

(7) 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;

(8) Liens in favor of the Company or any Restricted Subsidiary;

(9) Liens arising from attachment or 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;

(10) 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;

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens (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 (b)(7) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock", (b) 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, (c) the principal amount of Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (d) 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, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is Incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated 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 (13) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(14) Liens under the Security Documents;

(15) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "Security — Permitted Pari Passu Secured Indebtedness";

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(13) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens 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 (b)(6) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the

Company or any Restricted Subsidiary (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens granted by the Company or any Restricted Subsidiary in favor of any Insurance Company Investor to secure the obligations of a Subsidiary of such Restricted Subsidiary to pay a guaranteed or preferred dividend or return on Capital Stock of such Subsidiary held by such Insurance Company Investor permitted to be Incurred under clause (b)(16) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(23) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (b)(19) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(24) Liens Incurred on cash deposits, bank accounts or other assets of the Company or any Restricted Subsidiary to secure Bank Deposit Secured Indebtedness of the type described under clause (b)(20) of the covenant under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(25) Liens on current assets securing Indebtedness permitted to be Incurred under clause (b)(14) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(26) Liens to secure Entrusted Loans;

(27) Liens securing Indebtedness permitted to be Incurred under clause (b)(17) of the covenant entitled "— Limitation on Indebtedness and Preferred Stock" covenant;

(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 (b)(15) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(29) Liens securing Indebtedness Incurred under clause (b)(21) of the "— Limitation on Indebtedness and Preferred Stock" covenant;

(30) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (a) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; and

(31) Liens securing Indebtedness Incurred under clause (b)(23) of the covenant described under "— Limitation on Indebtedness and Preferred Stock".

"Permitted Pari Passu Secured Indebtedness" has the meaning set forth under "Security— Permitted Pari Passu Secured Indebtedness".

"Permitted Subsidiary Indebtedness" means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Public Indebtedness and the amount of any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6) and (b)(13) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% 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 Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any future 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 Enterprise adopted on April 13, 1988 (as most recently amended on November 4, 2017) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures Enterprise promulgated on September 4, 1995 (as most recently amended on November 17, 2019), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party or parties 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 term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"Pre-Registration Mortgage Guarantees" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Qualified IPO" means an initial public offering, and a listing of, Capital Stock of a company on a Qualified Exchange, provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of not less than the percentage required by the applicable listing rules.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; provided that if S&P, Moody's or Fitch, two of the three or all three of them shall not make a rating of the Notes publicly available, one or more "nationally recognized statistical rating organizations", as the case may be, within the meaning of Section 3(a)(62) of the Exchange Act, selected by the Company, which shall be substituted for S&P, Moody's, Fitch, two of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba", "B", "Caa", "Ca", "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "–" for S&P; "1", "2" and "3" for Moody's and "+" and "–" for Fitch; or the equivalent gradations for another Rating Agency) 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 the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by 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 any 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 three or less than three Rating Agencies and rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling by such other Person securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the fifth Business Day preceding such redemption date.

"Renminbi" or "RMB" means the lawful currency of the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of the Indenture.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Restructuring" means the restructuring and Qualified IPO of the common shares of a Subsidiary of the Company in the Restructuring Group.

"Restructuring Group" means the group of Subsidiaries of the Company which are engaged in the Permitted Business that the Company may spin off and separately listed on a Qualified Exchange as part of the Restructuring.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Security Documents" means, collectively, the pledge or charge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Common Security Trustee on behalf of the Secured Parties, the Trustee and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such 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 (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means a Restricted Subsidiary, or a group of Restricted Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Company or any Restricted Subsidiary and an Independent Third Party pursuant to which the Company or such Restricted Subsidiary agrees to (x) acquire not less than a majority of the Capital Stock of a Person (which owns land use rights in respect of parcels of land suitable for Permitted Business) (the "Minimum Initial Purchase") from such Independent Third Party and pay for the Minimum Initial Purchase in full or in installments at a purchase price that is not more than the Fair Market Value of such Capital Stock on the date of such agreement and/or (y) on or after the payment in full of the purchase price for the Minimum Initial Purchase and such Person becomes a Restricted Subsidiary, (i) acquire additional shares of Capital Stock of such Restricted Subsidiary from such Independent Third Party and pay for such additional shares in full or in installments after the date of such agreement at a purchase price that is not more than the Fair Market Value of such Capital Stock on the date of such agreement or (ii) acquire additional shares of Capital Stock of such Restricted Subsidiary from such Independent Third Party in accordance with a "right of first refusal" or "right of first offer" type of provision in such agreement at a purchase price that is not more than the Fair Market Value of such Capital Stock on or about the date of such purchase.

"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 Shareholder Loan" means any unsecured loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is expressly subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms does not provide any cash payment of interest.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which 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 outstanding Voting Stock is owned, directly or indirectly, by such Person and which is "controlled" and consolidated by such Person in accordance with GAAP.

"Subsidiary Guarantee" means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Subsidiary Guarantor Pledgor" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any Person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the United Kingdom, the People's Republic of China and Hong Kong or any agency of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the United Kingdom, the People's Republic of China and Hong Kong or any agency of the foregoing, in each case maturing within one year;

(2) time deposit accounts, certificates of deposit, demand notes 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 or any state thereof, any state of the European Economic Area, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of 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, "A-1" (or higher) according to S&P or "F1 (or higher according to Fitch)";

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations; and

(8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the

Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements); provided that only with respect to clause (b)(7) 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 Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) subject to any redesignation under the section entitled "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," each of Kaisa Property Holdings Limited (佳兆業物業集團有限公司), Kaisa Ventures Limited, Dragon Range Holdings Limited (域龍控股有限公司), Star Joy Holdings Limited (星進集團有限公司), Zhan Zheng Consulting Company Limited, Cornwell Holdings (Hong Kong) Limited, Central Broad (Hong Kong) Investment Limited, Victor Select Limited, Ye Chang Investment Company Limited, Greater Sail Limited and Kaisa WeWa Space (China) 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 100% of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to any capital gains, income or corporation tax in the Cayman Islands. The Cayman Islands currently have no exchange control restrictions and are not party to any double taxation treaties. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("CI$") (US$312.50)) unless stamp duty of CI$500 (US$625) has been paid in respect of the entire issue of Notes.

The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of US$1.25 = CI$1.00.

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 14, 2007.

British Virgin Islands

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax 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.

Taxation on Interest. The Enterprise Income Tax Laws, effective January 1, 2008, impose a tax at the rate of 10% on interest paid to holders of the Notes that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the Enterprise Income Tax Laws, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains. The Enterprise Income Tax Laws impose a tax at the rate of 10% (or 20% in the case of individuals) on capital gains realized by holders of the Notes that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the Enterprise Income Tax Laws, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of a Note.

PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement dated August 31, 2021, we have agreed to sell to Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Haitong International Securities Company Limited, UBS AG Hong Kong Branch, BOCI Asia Limited, China CITIC Bank International Limited, Kingston Securities Limited, Fulbright Securities Limited and Hung Sing Securities Limited as the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from us, the following principal amount of the Notes:

Initial Purchasers	Principal Amount of the Notes to be Purchased
Credit Suisse (Hong Kong) Limited	US$58,000,000
Guotai Junan Securities (Hong Kong) Limited	US$58,000,000
The Hongkong and Shanghai Banking Corporation Limited	US$58,000,000
Haitong International Securities Company Limited	US$58,000,000
UBS AG Hong Kong Branch	US$58,000,000
BOCI Asia Limited	US$5,000,000
China CITIC Bank International Limited	US$5,000,000
Kingston Securities Limited	US$0
Fulbright Securities Limited	US$0
Hung Sing Securities Limited	US$0
Total	US$300,000,000

The purchase agreement provides that the obligations of the Initial Purchasers are subject to the approval of certain legal matters by their counsel and certain conditions precedent. The purchase agreement provides that the Initial Purchasers are obligated to purchase all of the Notes if any are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated. The Initial Purchasers propose to offer the Notes initially at the price on the cover page of this offering memorandum (the "Offering Price") and may also offer the Notes to selling group members at the Offering Price less a selling concession. After the initial offering, the Offering Price may be changed.

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, we and the Subsidiary Guarantors have agreed with the Initial Purchasers that private banks be paid a commission in connection with the purchase of the Notes by their private bank clients, which commission may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the Notes or the possession or distribution of the Offering Memorandum or any other offering material relating to the Notes in any jurisdiction where action for any such purpose may be required.

The Initial Purchasers and their respective affiliates may have engaged in transactions with and performed various investment banking, commercial banking and other services for the Company and its affiliates in the past and may do so from time to time in the future. The Initial Purchasers and their respective affiliates have received customary fees and commissions for these transactions. We may enter into non-speculative hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In connection with the offering of the Notes, the Initial Purchasers and/or their respective affiliates, or affiliates of us or the Subsidiary Guarantors, may act as investors and place orders, receive allocations and trade the Notes for their own account and such orders, allocations or trading of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of us or the Subsidiary Guarantors, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the

Initial Purchasers and/or their respective affiliates, or affiliates of us or the Subsidiary Guarantors as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted. The Initial Purchasers and/or their respective affiliates may also enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of us or the Subsidiary Guarantors or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. We, the Subsidiary Guarantors and the Initial Purchasers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

General

Purchasers of the Notes outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the Offering Price on the cover page of this Offering Memorandum.

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 their affiliates on behalf of the issuer in such jurisdiction.

We have agreed to indemnify the Initial Purchasers against certain liabilities or to contribute to payments which the Initial Purchasers may be required to make in that respect.

The Notes are a new issue of securities for which there is currently no trading market. Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing.

No assurance can be given as to the development or liquidity of any market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

We expect delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be the fifth business day following the date of pricing (this settlement cycle being referred to as "T+5").

Pursuant to Rule 15c 6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States. The Notes, the Subsidiary Guarantees are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sell in compliance with an exemption from registration under the U.S. Securities Act.

Prohibition of Sales to the European Economic Area

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to the United Kingdom Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company or the Subsidiary Guarantors.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes but the Notes may be acquired by British Virgin Islands persons who receive the offer outside the British Virgin Islands and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the SFO (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 the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are initially subscribed or purchased by (i) an institutional investor under Section 274 of the SFA, or (ii) a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, the Notes may only be sold or transferred: (a) at any time, to an institutional investor under Section 274 of the SFA; (b) at any time, to a relevant person defined in Section 275(2) of the SFA or to any person pursuant to an offer referred to in Section 275(1A) of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The PRC

This Offering Memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Switzerland

This offer memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this document nor any other offering or marketing material relating to Notes may be publicly distributed or otherwise made publicly available in Switzerland.

TRANSFER RESTRICTIONS

Because of the following restrictions, prospective investors are encouraged to consult their legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

Each purchaser of the Notes will be deemed to:

- represent that it is purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act;
- acknowledge that the Notes and the Subsidiary Guarantees in respect thereof have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from registration under the U.S. Securities Act;
- acknowledge that the Notes will be represented by the Global Note, and that transfers thereof are subject to and will only be effected through the records maintained by the Euroclear and Clearstream; and
- acknowledge that the Company, the Transfer Agent and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us, the Transfer Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

We have been assigned a long-term corporate rating of "B" with a stable outlook by S&P, "B1" with a stable outlook by Moody's and "B" with a stable outlook by Fitch. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. 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. Each such rating should be evaluated independently of any other rating on other of our securities, or on us.

LEGAL MATTERS

Certain legal matters with respect to the offering and the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Harneys as to matters of Cayman Islands law and British Virgin Islands law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Linklaters as to matters of United States federal and New York law and Jia Yuan Law Office as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 reproduced in this offering memorandum have been audited by Grant Thornton Hong Kong Limited, as stated in the reports therein and in our annual reports for the years ended December 31, 2019 and 2020, respectively.

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the offering and the issue and performance of obligations under the Notes and the Subsidiary Guarantees. The entering into of the Indentures and the issue of the Notes have been authorized by a resolution of our Board of Directors dated August 31, 2021.

Litigation

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

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the offering and the issue of the Notes or the Subsidiary Guarantees.

Documents Available

For so long as any of the Notes is outstanding, copies of the Indentures 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 is outstanding, copies of the independent auditor's reports and/or our published financial statements, if any, including the independent auditor's report set out in the section entitled "Index to Financial Statements," may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

Clearing Systems and Settlement

	ISIN	Common Code
Notes	XS2381572002	238157200

Listing of the Notes

Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective subsidiaries or associated companies (if any).

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

INDEX TO FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements as of and for the six Months Ended June 30, 2021		
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-2	
Condensed Consolidated Statement of Financial Position	F-4	
Notes to the Condensed Consolidated Financial Statements	F-6	
Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2020		**2020 Annual Report[(1)]**
Independent Auditor's Report	F-20	106
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-26	112
Consolidated Statement of Financial Position	F-28	114
Consolidated Statement of Changes in Equity	F-30	116
Consolidated Statement of Cash Flows	F-32	118
Notes to the Consolidated Financial Statements	F-34	120
Audited Consolidated Financial Statements as of and for the Year Ended December 31, 2019		**2019 Annual Report[(1)]**
Independent Auditor's Report	F-191	131
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-197	137
Consolidated Statement of Financial Position	F-199	139
Consolidated Statement of Changes in Equity	F-201	141
Consolidated Statement of Cash Flows	F-202	142
Notes to the Consolidated Financial Statements	F-204	144

Note:

(1) The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2019 and 2020, and page references are to pages set forth in such reports. The consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kaisa Group Holdings Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Unaudited Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**30,065,363**	22,296,842
Cost of sales	*4*	**(20,787,373)**	(14,757,655)
Gross profit		**9,277,990**	7,539,187
Other gains and (losses), net		**(317,026)**	(604,954)
Selling and marketing costs	*4*	**(758,717)**	(747,636)
Administrative expenses	*4*	**(1,445,923)**	(1,267,405)
Net fair value (losses)/gains on investment properties		**(1,166,201)**	72,153
Operating profit		**5,590,123**	4,991,345
Share of results of associates		**(7,417)**	10,719
Share of results of joint ventures		**224,062**	76,168
Fair value gains of financial derivatives		**27,450**	62,076
Finance income	*5*	**431,783**	231,123
Finance costs	*5*	**(1,223,292)**	(612,009)
Finance costs, net	*5*	**(791,509)**	(380,886)
Profit before income tax		**5,042,709**	4,759,422
Income tax expenses	*6*	**(1,963,651)**	(2,400,721)
Profit for the period		**3,079,058**	2,358,701
Profit/(Loss) for the period attributable to:			
Owners of the Company		**3,002,904**	2,768,697
Non-controlling interests		**76,154**	(409,996)
		3,079,058	2,358,701
		RMB	*RMB* (Restated)
Earnings per share for profit attributable to owners of the Company during the period			
– Basic	*7*	**0.468**	0.445
– Diluted	*7*	**0.465**	0.444

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit for the period	**3,079,058**	2,358,701
Other comprehensive income/(loss) for the period, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss		
Exchange gain/(loss) on translation of foreign operations	**4,862**	(13,743)
Share of other comprehensive income of an associate, net of income tax	**3,407**	–
Other comprehensive income/(loss)for the period, including reclassification adjustments	**8,269**	(13,743)
Total comprehensive income for the period	**3,087,327**	2,344,958
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**2,988,658**	2,770,126
Non-controlling interests	**98,669**	(425,168)
	3,087,327	2,344,958

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	**Unaudited 30 June 2021** ***RMB'000***	Audited 31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**5,531,381**	5,311,916
Right-of-use assets		**581,392**	536,993
Investment properties		**28,739,000**	34,524,400
Land use rights		**716,418**	720,913
Investments in associates		**12,051,412**	11,657,848
Investments in joint ventures		**18,175,814**	18,386,366
Financial assets at fair value through profit or loss ("**FVTPL**")		**5,256,207**	5,369,151
Debtors, deposits and other receivables	*9*	**187,922**	20,000
Goodwill and intangible assets		**1,376,268**	1,276,405
Long-term bank deposits		**1,000,000**	1,200,000
Deferred tax assets		**925,064**	628,380
		74,540,878	79,632,372
Current assets			
Properties under development		**83,474,404**	71,367,943
Completed properties held for sale		**16,226,342**	13,036,568
Inventories		**473,416**	416,781
Deposits for land acquisition		**18,435,768**	18,204,746
Prepayments for proposed development projects		**25,466,332**	25,004,121
Debtors, deposits and other receivables	*9*	**45,233,895**	48,468,486
Prepaid taxes		**811,131**	356,481
Restricted cash		**5,786,598**	6,248,888
Financial assets at FVTPL		**4,592,435**	5,338,349
Short-term bank deposits		**3,585,570**	3,585,570
Cash and bank balances		**38,363,726**	36,078,762
		242,449,617	228,106,695
Investment in an associate held for sale	*10*	**2,121,258**	2,159,492
		244,570,875	230,266,187

	Notes	**Unaudited 30 June 2021** ***RMB'000***	Audited 31 December 2020 *RMB'000*
Current liabilities			
Contract liabilities		**51,545,115**	49,706,027
Accrued construction costs		**27,168,220**	18,593,833
Income tax payable		**14,086,481**	12,020,469
Lease liabilities		**130,599**	103,208
Borrowings	*11*	**25,017,332**	23,069,223
Other payables		**16,204,679**	24,260,845
Derivative financial instruments		**–**	27,450
		134,152,426	127,781,055
Net current assets		**110,418,449**	102,485,132
Total assets less current liabilities		**184,959,327**	182,117,504
Non-current liabilities			
Lease liabilities		**476,288**	453,240
Borrowings	*11*	**98,760,716**	98,401,736
Other payables		**32,585**	19,768
Deferred tax liabilities		**4,240,126**	4,523,386
		103,509,715	103,398,130
Net assets		**81,449,612**	78,719,374
EQUITY			
Share capital		**613,530**	538,942
Share premium		**6,457,928**	4,948,564
Perpetual capital securities		**1,350,054**	1,350,054
Reserves		**28,457,624**	25,496,179
Equity attributable to owners of the Company		**36,879,136**	32,333,739
Non-controlling interests		**44,570,476**	46,385,635
Total equity		**81,449,612**	78,719,374

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months 30 June 2021

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "**Company**") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The Company is engaged in investment holding and the subsidiaries (collectively, the "**Group**") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation, healthcare business and providing consultancy services in the People's Republic China (the "**PRC**").

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

This condensed consolidated financial information is presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000), unless otherwise stated. The condensed consolidated financial information has not been audited and was authorised for issue by the Board of Directors on 25 August 2021.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

(ii) Application of amendments to HKFRSs

The condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of following amended HKFRSs effective as of 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Except as mentioned below, the application of the amended HKFRSs in the current period had no material impact on the results and financial positions for the current and prior periods have been prepared and presented.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" ("Phase 2 Amendments")

The Phase 2 Amendments provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 January 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020.

Impact on measurement of financial assets and financial liabilities

For changes in the basis for determining the contractual cash flows of financial assets and financial liabilities which are measured at amortised cost as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes such that it will not derecognise the carrying amounts of financial assets and financial liabilities and recognise an immediate gain or loss for changes solely arose from the interest rate benchmark reform, but will instead revise the effective interest rates of the financial assets and financial liabilities. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the interest rate benchmark reform; and

- The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately before the change).

The amendments do not have material impacts on the consolidated financial results and consolidated financial position as at 1 January 2021 and during the current period.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company. The executive directors reviewed the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Net loss on repurchase of senior notes, fair value gains on financial derivatives, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business and regarded these being the reportable segments. The Group grouped its financial service business under other segment which was insignificant to present as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the period consists of the following:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Sales of properties	**27,665,897**	20,639,268
Rental income	**152,300**	162,480
Property management services	**983,199**	554,754
Hotel and catering operations	**138,667**	71,567
Cinema, department store and cultural centre operations	**120,785**	44,483
Water-way passenger and cargo transportation	**215,400**	193,726
Healthcare operations	**264,706**	234,986
Others	**524,409**	395,578
	30,065,363	22,296,842

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2021 is as follows:

	Unaudited								
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Healthcare operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	27,665,897	169,119	1,341,788	145,162	178,391	216,170	264,706	692,155	30,673,388
Less: Inter-segment revenue	–	(16,819)	(358,589)	(6,495)	(57,606)	(770)	–	(167,746)	(608,025)
Revenue from external customers	27,665,897	152,300	983,199	138,667	120,785	215,400	264,706	524,409	30,065,363
Timing of revenue recognition under HKFRS 15									
At a point in time	25,948,521	–	–	–	–	99,394	264,706	524,409	26,837,030
Over time	1,717,376	–	983,199	138,667	120,785	116,006	–	–	3,076,033
Revenue not in the scope of HKFRS 15	–	152,300	–	–	–	–	–	–	152,300
	27,665,897	152,300	983,199	138,667	120,785	215,400	264,706	524,409	30,065,363
Segment results before net fair value losses on investment properties and share of results of associates and joint ventures	5,719,620	367,745	226,174	(6,730)	(9,905)	(20,504)	88,514	633,911	6,998,825
Net fair value losses on investment properties	–	(1,166,201)	–	–	–	–	–	–	(1,166,201)
Share of results of associates	(6,154)	–	(649)	–	–	–	–	(614)	(7,417)
Share of results of joint ventures	266,941	(10,804)	(2,776)	–	–	–	–	(29,299)	224,062
Segment results	5,980,407	(809,260)	222,749	(6,730)	(9,905)	(20,504)	88,514	603,998	6,049,269
Net loss of repurchases of senior notes									(2,198)
Fair value gain on financial derivatives									27,450
Corporate and other unallocated expenses									(240,303)
Finance income									431,783
Finance costs									(1,223,292)
Finance costs – net *(note 5)*									(791,509)
Profit before income tax									5,042,709
Income tax expenses *(note 6)*									(1,963,651)
Profit for the period									3,079,058

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 is as follows:

	Unaudited								
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Healthcare operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue	20,639,268	169,335	767,353	79,243	78,254	195,153	234,986	660,548	22,824,140
Less: Inter-segment revenue	–	(6,855)	(212,599)	(7,676)	(33,771)	(1,427)	–	(264,970)	(527,298)
Revenue from external customers	20,639,268	162,480	554,754	71,567	44,483	193,726	234,986	395,578	22,296,842
Timing of revenue recognition under HKFRS 15									
At a point in time	17,899,692	–	–	–	–	94,222	234,986	395,578	18,624,478
Over time	2,739,576	–	554,754	71,567	44,483	99,504	–	–	3,509,884
Revenue not in the scope of HKFRS 15	–	162,480	–	–	–	–	–	–	162,480
	20,639,268	162,480	554,754	71,567	44,483	193,726	234,986	395,578	22,296,842
Segment results before net fair value gains on investment properties and share of results of associates and joint ventures	5,324,036	58,994	33,146	363,991	274,725	(28,607)	13,077	(918,036)	5,121,326
Net fair value gains on investment properties	–	72,153	–	–	–	–	–	–	72,153
Share of results of associates	3,954	–	–	–	–	–	16,272	(9,507)	10,719
Share of results of joint ventures	104,998	–	(1,255)	–	–	–	–	(27,575)	76,168
Segment results	5,432,988	131,147	31,891	363,991	274,725	(28,607)	29,349	(955,118)	5,280,366
Fair value gain on financial derivatives									62,076
Corporate and other unallocated expenses									(202,134)
Finance income									231,123
Finance costs									(612,009)
Finance costs – net *(note 5)*									(380,886)
Profit before income tax									4,759,422
Income tax expenses *(note 6)*									(2,400,721)
Profit for the period									2,358,701

The segment assets and liabilities as at 30 June 2021 are as follows:

	Unaudited									
	Property development *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel and catering operations** *RMB'000*	**Cinema, department store and cultural centre operations** *RMB'000*	**Water-way passenger and cargo transportation** *RMB'000*	**Healthcare operations** *RMB'000*	**Others** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Segment assets	**989,475,762**	**43,022,323**	**8,699,401**	**3,933,007**	**15,373,268**	**29,281,247**	**6,071,876**	**173,788,310**	**(952,269,636)**	**317,375,558**
Unallocated										**1,736,195**
										319,111,753
Segment liabilities	**821,722,799**	**4,603,165**	**5,220,008**	**3,367,385**	**17,039,739**	**20,475,289**	**2,277,410**	**143,456,251**	**(877,378,452)**	**140,783,594**
Unallocated										**96,878,547**
										237,662,141

The segment assets and liabilities as at 31 December 2020 are as follows:

	Audited									
	Property development *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel and catering operations *RMB'000*	Cinema, department store and cultural centre operations *RMB'000*	Water-way passenger and cargo transportation *RMB'000*	Healthcare operation *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment assets	869,372,198	43,746,564	7,464,778	3,909,126	10,849,454	30,253,266	9,763,374	165,737,692	(832,182,754)	308,913,698
Unallocated										984,861
										309,898,559
Segment liabilities	693,522,528	4,030,193	4,726,775	3,327,312	12,225,903	21,533,281	5,683,350	136,632,746	(755,128,110)	126,553,978
Unallocated										104,625,207
										231,179,185

For the six months ended 30 June 2021 and 2020, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

There is no change in the basis of segmentation or basis of measurement of segment profit or loss for the six months ended 30 June 2021.

Segment assets consist primarily of all assets excluding deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of all liabilities excluding deferred tax liabilities, income tax payable, corporate borrowings and derivative financial instruments.

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Auditor's remuneration	**5,000**	3,000
Advertising and other promotional costs	**154,044**	177,167
Agency fees	**289,575**	299,296
Amortisation of land use rights	**10,830**	10,695
Amortisation of intangible assets	**126,770**	105,928
Bank charges	**11,580**	13,297
Cost of properties sold	**18,793,439**	13,359,608
Depreciation		
– Property, plant and equipment	**149,681**	108,623
– Right-of-use assets	**90,681**	65,698
Direct operating expenses arising from		
– Property investment	**135,472**	57,032
– Property management services	**640,888**	456,176
– Hotel and catering operations	**88,734**	15,361
– Cinema, department store and cultural centre operations	**33,745**	60,014
– Water-way passenger and cargo transportation	**210,064**	179,611
– Healthcare operations	**111,896**	99,613
Donations	**29,361**	69,791
Entertainment	**49,855**	46,362
Legal and professional fees	**219,671**	227,958
Office expenses	**157,370**	112,922
Minimum lease payment under operating leases *(note)*	**17,133**	12,759
Others	**331,165**	483,310
Other taxes	**156,322**	30,135
Staff costs – including directors' emoluments	**1,159,518**	763,497
Travelling	**19,219**	14,843
	22,992,013	16,772,696

Note: According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

5. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**410,192**	176,600
Interest income from associates	**–**	1,848
Interest income from loans to third parties	**21,591**	52,675
	431,783	231,123
Finance costs		
Interest expense:		
– Bank and other borrowings	**2,159,108**	2,369,471
– Senior Notes	**3,700,792**	3,431,669
– Convertible bonds	**44,279**	46,492
– Lease liabilities	**5,891**	19,883
Total interest expenses	**5,910,070**	5,867,515
Less: interests capitalised	**(4,686,778)**	(5,255,506)
	1,223,292	612,009
Finance costs – net	**(791,509)**	(380,886)

6. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**1,615,131**	2,091,570
– PRC land appreciation tax	**863,345**	599,257
Deferred tax	**(514,825)**	(290,106)
	1,963,651	2,400,721

Income tax expenses for the six months ended 30 June 2021 and 2020 is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. The group companies in British Virgin Islands ("**BVI**") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2021 and 2020 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC withholding income tax

According to the Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (Six months ended 30 June 2020: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and all property development expenditures.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**3,002,904**	2,768,697
Distribution paid on perpetual capital securities	**(77,050)**	–
Profit attributable to owners of the Company	**2,925,854**	2,768,697

	Number of shares	
	2021	2020 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share *(note (a))*	**6,253,297,382**	6,216,858,471
Effect of diluted potential ordinary shares – Share options	**34,283,545**	21,910,648
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,287,580,927**	6,238,769,119

Notes:

(a) The weighted average number of 6,253,297,382 ordinary shares are derived from ordinary shares in issue as at 1 January 2021 after taking into account the effects of rights issue being completed during the six months ended 30 June 2021. The weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended 30 June 2020 has been adjusted for right issue that took place on 8 May 2021.

(b) The Company's dilutive potential ordinary shares consist of share options and convertible bonds. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average semi-annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options and conversion of convertible bonds. For the six months ended 30 June 2021 and 2020, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to owners of the Company and is not taken into account as they had an anti-dilutive effects.

(c) The dilutive effect of the share options issued by the Group's listed subsidiaries, Kaisa Prosperity Holdings Limited and Kaisa Capital Investment Holdings Limited, were insignificant for the six months ended 30 June 2021 and 2020.

8. DIVIDENDS

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
(i) Dividends attributable to the period		
2021 interim dividends declared of HK4.0 cents (2020: HK3.0 cents) per share	**233,503**	167,380
(ii) Dividends attributable to the previous financial year, approved during the period:		
Final dividend in respect of the previous financial year, approved during the following interim period, of HK12.0 cents per share (Six months ended 30 June 2020: HK10.0 cents per share)	**619,382**	545,262
(iii) Distribution on perpetual capital securities		
Distribution on perpetual capital securities to the securities holders during the six months ended 30 June 2021	**77,050**	–

A final dividend in respect of the year ended 31 December 2020 of HK12.0 cents (equivalent to RMB10.0 cents) per share was approved at the annual general meeting on 15 June 2021 (Six months ended 30 June 2020: a final dividend in respect of the year ended 31 December 2019 of HK10.0 cents (equivalent to RMB8.96 cents) per share was approved at the annual general meeting on 15 June 2020). The aggregate amount of final dividend declared from share premium of the Company amounted to HK$739,957,000 (equivalent to approximately RMB619,382,000) (Six months ended 30 June 2020: HK$608,687,000 (equivalent to approximately RMB545,262,000)).

The Board recommended to declare an interim dividend of HK4.0 cents (equivalent to RMB3.3 cents) per share for the six months ended 30 June 2021. The aggregate amount of interim dividend proposed to be declared from share premium of the Company amounted to HK$280,618,000 (equivalent to approximately RMB233,503,000) (Six months ended 30 June 2020: HK$183,989,000 (equivalent to approximately RMB167,498,000)). Such dividend is to be approved by the shareholders at the forthcoming extraordinary general meeting. The condensed consolidated financial information does not reflect this dividend payable.

9. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Trade debtors mainly arise from sales of properties and property management. Proceeds receivable in respect of the sales of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Rental income from lease of properties are generally receivable in accordance with the terms of the relevant agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Within 90 days	**969,425**	1,411,610
Over 90 days but within 180 days	**328,619**	208,915
Over 180 days but within 270 days	**543,021**	186,823
Over 270 days but within 365 days	**130,054**	55,025
Over 365 days	**462,338**	315,438
	2,433,457	2,177,811
Less: allowance for impairment	**(143,676)**	(58,000)
	2,289,781	2,119,811

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2021, a provision of RMB143,676,000 (unaudited) was made against the gross amount of trade debtors (31 December 2020: RMB58,000,000 (audited)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

10. INVESTMENT IN AN ASSOCIATE HELD FOR SALE

As at 30 June 2021, the Group is considering the disposal of an associate. The possible disposal may be carried via block trades, tenders and private sales. It is expected that, if materialised, the possible disposal is expected to be completed by 13 November 2021.

11. BORROWINGS

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Borrowings included in current liabilities:		
Senior Notes	**14,286,348**	9,673,242
Convertible Bonds	**676,423**	663,398
Bank borrowings – secured	**3,691,989**	5,885,374
Bank borrowings – unsecured	**67,000**	351,800
Other borrowings – secured	**5,692,266**	5,240,937
Other borrowings – unsecured	**494,525**	1,145,691
Loan from a related company	**108,781**	108,781
	25,017,332	23,069,223
Borrowings included in non-current liabilities:		
Senior Notes	**57,418,343**	58,650,794
Bank borrowings – secured	**24,552,431**	20,053,407
Bank borrowings – unsecured	**5,811,039**	5,281,464
Other borrowings – secured	**4,040,200**	10,817,519
Other borrowings – unsecured	**6,938,703**	3,598,552
	98,760,716	98,401,736
Total borrowings	**123,778,048**	121,470,959

12. COMMITMENTS

(a) Commitments for acquisitions of property development expenditures, subsidiaries and a joint venture

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Contracted but not provided for		
– Acquisitions of land use rights and property development activities	**35,527,808**	31,627,158
– Acquisitions of subsidiaries *(note)*	**13,000,000**	107,706
– Acquisition of a joint venture	**360,000**	360,000
	48,887,808	32,094,864

Note: On 25 March 2021, the Company entered into agreement with Acme Victory Investments Limited, Ascending Power Investments Limited and Beijing Chengyi Haotai Investment Management Co., Ltd. as vendors and Mr. Kwok Ying Shing as guarantor in relation to the acquisitions of Hong Da Development & Investment Holding Co., Ltd., Logic Capital Limited and Beijing Yaohui Real Estate Co., Ltd. at a consideration of RMB13,000,000,000 in cash. The transaction was approved by the shareholders of the Company in the extraordinary general meeting on 2 July 2021. Further details of the acquisition can be found in the announcements of the Company dated 27 March 2021 and 27 May 2021.

(b) Operating lease commitments

At the reporting date, the lease commitments for short-term leases and leases of low-value assets are as follows:

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Not later than one year	**427**	969
Later than one year and not later than five years	**46**	4
	473	973

As at 30 June 2021, the Group leases staff quarters, offices and items of office equipment with a lease period of twelve months, which are qualified to be accounted for under short-term lease and lease of low-value assets exemption under HKFRS 16.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Within one year	**208,504**	173,929
After one year and within two years	**203,517**	143,228
After two years and within three years	**157,583**	97,883
After three years and within four years	**142,872**	92,852
After four years and within five years	**112,872**	98,715
After five years	**196,784**	160,850
	1,022,132	767,457

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to twenty-one (unaudited) (31 December 2020: one to twenty-one (audited)) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

13. EVENT AFTER REPORTING PERIOD

On 15 July 2021, the Company issued 8.65% senior notes due 2022 (the "**New 2022 Notes**") in the principal amount of US$200,000,000 (equivalent to approximately RMB1,292,020,000) at 100% of the face value. The New 2022 Notes is interest-bearing at 8.65% per annum which is payable semi-annually in arrears. The maturity date is 22 July 2022.

On 16 July 2021, the 10.5% convertible bond matured, the Group repaid the outstanding 10.5% convertible bond in the principal amount of US$100,000,000 (equivalent to approximately RMB646,010,000).

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the members of Kaisa Group Holdings Ltd.
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 112 to 276, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of properties under development and completed properties held for sale Refer to note 5 of critical accounting estimates and judgements, note 22 of properties under development and note 23 of completed properties held for sale to the consolidated financial statements. As at 31 December 2020, the Group had properties under development and completed properties held for sale ("properties") amounting to RMB71,367,943,000 and RMB13,036,568,000, respectively, which in total represented approximately 27.24% of the total assets of the Group. Given the significant balance of properties under development and completed properties held for sale and the involvement of critical accounting estimates, the impairment assessment of these properties is considered a key audit matter. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Based on management's analysis of the net realisable value of the properties, write-down of approximately RMB2,578,917,000 were charged to profit or loss for the year ended 31 December 2020.	We understood and evaluated the management's procedures on identifying properties for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values. Our procedures in relation to assessing the appropriateness of the valuation of these properties included: (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iv) testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions. We compared the estimated selling price to the recent market transactions by reference to the Group's selling prices of pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location.
Valuation of investment properties Refer to note 5 of critical accounting estimates and judgements, note 2.8 of accounting policy of investment properties and note 17 of investment properties to the consolidated financial statements. As at 31 December 2020, the Group had investment properties amounting to RMB34,524,400,000 which in total represented approximately 11.14% of the total assets of the Group. Given the significant balance of investment properties and the involvement of critical accounting estimates, the valuation of the investment properties is considered a key audit matter. The estimate of the fair value of the Group's investment properties requires significant management judgement taking into account the conditions and locations of the properties as well as the latest market transactions. To support management's determination of the fair value, the Group has engaged an external valuer to perform valuations on the investment properties at the reporting date. Different valuation techniques were applied to different types of investment properties.	We evaluated the independence, competence and relevant experience of the external valuer engaged by the Company. We also assessed the scope of the valuations, critical judgements and data used in the valuations and evaluated the methodology and assumptions used. In addition, we evaluated the source data used in the valuations by benchmarking them to relevant market information.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of interests in associates and joint ventures Refer to note 5 of critical accounting estimates and judgements, note 19(a) of investments in associates and note 19(b) of investments in joint ventures to the consolidated financial statements. We identified the valuation of investments in associates and joint ventures as a key audit matter due to the significance of the Group's interests in associates and joint ventures in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the investments in associates and joint ventures, in particular, the future prospects of each associate and joint venture. As at 31 December 2020, the carrying amounts of investments in associates and joint ventures amounting to RMB13,817,340,000 and RMB18,386,366,000, respectively. As disclosed in notes 2.3 and 2.4 to the consolidated financial statements, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates and joint ventures, less accumulated impairment in the values of individual investments. As such, the Group is required to assess at each reporting date whether there is any indication that the carrying amounts of interests in associates and joint ventures may be impaired. For those associates and joint ventures in which such indication exists, the Group assessed the carrying amounts for impairment. As disclosed in notes 19(a) and 19(b) to the consolidated financial statements, no impairment of interests in associates and joint ventures was considered to be necessary as at 31 December 2020.	Our procedures in relation to the valuation of investments in associates and joint ventures included: • assessing the appropriateness of management's accounting for investments in associates and joint ventures; • understanding the management's process for identifying the existence of impairment indicators in respect of the interests in associates and joint ventures and evaluating the effectiveness of such process; • where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and joint ventures and obtaining an understanding from management of their financial position and future development plan; and • assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates and joint ventures as well as our knowledge of the industry and business.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 March 2021

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	**55,770,181**	48,021,685
Cost of sales	7	**(39,862,713)**	(34,191,622)
Gross profit		**15,907,468**	13,830,063
Other gains and losses, net	8	**334,729**	(1,494,341)
Selling and marketing costs	7	**(2,017,284)**	(1,996,166)
Administrative expenses	7	**(3,730,287)**	(3,350,817)
Net fair value gain of investment properties	17	**189,433**	178,419
Net gain on disposals of subsidiaries	42(a)	**774,075**	245,581
Net gain on deemed disposals of subsidiaries	42(b)	**816,560**	2,460,638
Operating profit		**12,274,694**	9,873,377
Share of results of associates		**(44,756)**	92,619
Share of results of joint ventures	19(b)	**37,595**	(197,697)
Fair value gain/(loss) of financial derivatives		**52,838**	(82,191)
Finance income	9	**466,546**	580,269
Finance costs	9	**(2,284,561)**	(798,774)
Finance costs, net	9	**(1,818,015)**	(218,505)
Profit before income tax		**10,502,356**	9,467,603
Income tax expenses	10	**(5,223,975)**	(5,303,595)
Profit for the year		**5,278,381**	4,164,008
Profit/(Loss) for the year attributable to:			
Owners of the Company		**5,447,125**	4,594,265
Non-controlling interests		**(168,744)**	(430,257)
		5,278,381	4,164,008
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	12(a)	**0.891**	0.756
– Diluted	12(b)	**0.888**	0.752

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Profit for the year		**5,278,381**	4,164,008
Other comprehensive income/(expenses), including reclassification adjustments			
Items that will be reclassified subsequently to profit or loss			
Share of other comprehensive income of associates		**21,944**	–
Exchange differences on translation of foreign operations		**19,073**	(25,165)
Other comprehensive income/(expenses) for the year, including reclassification adjustments		**41,017**	(25,165)
Total comprehensive income for the year		**5,319,398**	4,138,843
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**5,494,815**	4,578,816
Non-controlling interests		**(175,417)**	(439,973)
		5,319,398	4,138,843

The notes on pages 120 to 276 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	15	**5,311,916**	4,819,506
Right-of-use assets	16	**536,993**	1,358,516
Investment properties	17	**34,524,400**	35,309,000
Land use rights	18	**720,913**	753,493
Investments in associates	19(a)	**13,817,340**	11,918,789
Investments in joint ventures	19(b)	**18,386,366**	14,092,325
Financial assets at fair value through profit or loss	20	**5,369,151**	7,807,357
Debtors, deposits and other receivables	24	**20,000**	553,500
Goodwill and intangible assets	21	**1,276,405**	1,238,218
Long-term bank deposits	28	**1,200,000**	1,600,000
Deferred tax assets	34	**628,380**	864,268
		81,791,864	80,314,972
Current assets			
Properties under development	22	**71,367,943**	63,674,746
Completed properties held for sale	23	**13,036,568**	13,003,874
Inventories		**416,781**	260,302
Deposits for land acquisition	25	**18,204,746**	19,891,354
Prepayments for proposed development projects	26	**25,004,121**	23,782,080
Debtors, deposits and other receivables	24	**48,468,486**	33,461,565
Prepaid taxes		**356,481**	1,092,397
Restricted cash	27	**6,248,888**	6,016,455
Financial assets at fair value through profit or loss	20	**5,338,349**	43,034
Short-term bank deposits	28	**3,585,570**	2,536,724
Cash and bank balances	28	**36,078,762**	26,824,859
		228,106,695	190,587,390
Current liabilities			
Contract liabilities	29	**49,706,027**	39,388,659
Accrued construction costs		**18,593,833**	14,494,060
Income tax payable		**12,020,469**	10,739,849
Lease liabilities	30	**103,208**	159,694
Borrowings	31	**23,069,223**	31,891,998
Other payables	32	**24,260,845**	27,011,322
Derivative financial instruments	33	**27,450**	82,807
		127,781,055	123,768,389
Net current assets		**100,325,640**	66,819,001
Total assets less current liabilities		**182,117,504**	147,133,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	30	**453,240**	1,226,605
Borrowings	31	**98,401,736**	85,303,554
Other payables	32	**19,768**	10,248
Deferred tax liabilities	34	**4,523,386**	4,886,993
		103,398,130	91,427,400
Net assets		**78,719,374**	55,706,573
EQUITY			
Share capital	35	**538,942**	534,844
Share premium	35	**4,948,564**	5,546,561
Perpetual capital securities	36	**1,350,054**	–
Reserves	37	**25,496,179**	19,634,942
Equity attributable to owners of the Company		**32,333,739**	25,716,347
Non-controlling interests		**46,385,635**	29,990,226
Total equity		**78,719,374**	55,706,573

Approved and authorised for issue by the Board of Directors on 25 March 2021.

Kwok Ying Shing
Director

Mai Fan
Director

The notes on pages 120 to 276 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company					
	Share capital RMB'000 (note 35)	Share premium RMB'000 (note 35)	Reserves RMB'000 (note 37)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2019	533,389	6,168,607	14,938,114	21,640,110	14,699,202	36,339,312
Profit/(Loss) for the year	–	–	4,594,265	4,594,265	(430,257)	4,164,008
Other comprehensive expenses for the year	–	–	(15,449)	(15,449)	(9,716)	(25,165)
Total comprehensive income/(expenses) for the year	–	–	4,578,816	4,578,816	(439,973)	4,138,843
Acquisitions of subsidiaries (note 41)	–	–	–	–	1,078,015	1,078,015
Capital injection by non-controlling interests	–	–	–	–	14,807,664	14,807,664
Disposals of subsidiaries (note 42(a))	–	–	–	–	(9,968)	(9,968)
Deemed disposals of subsidiaries (note 42(b))	–	–	–	–	(176,313)	(176,313)
Deemed disposal of a subsidiary without loss of control	–	–	(12,667)	(12,667)	43,667	31,000
Issue of shares upon exercise of share options	1,455	22,598	(9,282)	14,771	–	14,771
Dividend paid (note 11)	–	(644,644)	–	(644,644)	–	(644,644)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	(12,068)	(12,068)
Share-based payments (note 43(a))	–	–	139,961	139,961	–	139,961
Balance as at 31 December 2019	534,844	5,546,561	19,634,942	25,716,347	29,990,226	55,706,573

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company						
	Share capital RMB'000 (note 35)	Share premium RMB'000 (note 35)	Perpetual capital securities RMB'000 (note 36)	Reserves RMB'000 (note 37)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 31 December 2019 and 1 January 2020	**534,844**	**5,546,561**	**–**	**19,634,942**	**25,716,347**	**29,990,226**	**55,706,573**
Profit/(Loss) for the year	**–**	**–**	**–**	**5,447,125**	**5,447,125**	**(168,744)**	**5,278,381**
Other comprehensive income/ (expenses) for the year	**–**	**–**	**–**	**47,690**	**47,690**	**(6,673)**	**41,017**
Total comprehensive income/ (expenses) for the year	**–**	**–**	**–**	**5,494,815**	**5,494,815**	**(175,417)**	**5,319,398**
Acquisitions of subsidiaries (note 41)	**–**	**–**	**–**	**–**	**–**	**243,558**	**243,558**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**16,674,125**	**16,674,125**
Disposals of subsidiaries (note 42(a))	**–**	**–**	**–**	**–**	**–**	**1,747**	**1,747**
Deemed disposals of subsidiaries (note 42(b))	**–**	**–**	**–**	**–**	**–**	**(16,083)**	**(16,083)**
Deemed disposal of a subsidiary without loss of control	**–**	**–**	**–**	**286,583**	**286,583**	**(305,574)**	**(18,991)**
Issue of perpetual capital securities	**–**	**–**	**1,350,054**	**–**	**1,350,054**	**–**	**1,350,054**
Issue of shares upon exercise of share options	**4,098**	**121,590**	**–**	**(33,156)**	**92,532**	**–**	**92,532**
Dividend paid (note 11)	**–**	**(719,587)**	**–**	**–**	**(719,587)**	**–**	**(719,587)**
Dividend paid to non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(26,947)**	**(26,947)**
Share-based payments (note 43(a))	**–**	**–**	**–**	**112,995**	**112,995**	**–**	**112,995**
Balance as at 31 December 2020	**538,942**	**4,948,564**	**1,350,054**	**25,496,179**	**32,333,739**	**46,385,635**	**78,719,374**

The notes on pages 120 to 276 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	38(a)	**18,993,996**	9,362,258
Income tax paid		**(2,963,541)**	(1,784,236)
Interest paid		**(11,500,365)**	(9,641,482)
Net cash from/(used in) operating activities		**4,530,090**	(2,063,460)
Cash flows from investing activities			
Additions to property, plant and equipment	15	**(1,205,339)**	(375,808)
Additions to investment properties	17	**(1,328,967)**	(1,126,521)
Additions to land use rights	18	**(38,355)**	–
Additions to intangible assets	21	**(314,042)**	(319,210)
Acquisitions of associates		**(2,988,599)**	(5,228,491)
Acquisitions of joint ventures	19(b)	**(1,562,138)**	(12,720)
Acquisitions of financial assets at FVTPL		**(4,085,034)**	(1,610,847)
Acquisitions of subsidiaries, net of cash acquired	41	**(4,143,775)**	(1,399,902)
(Increase)/Decrease in amounts due from associates		**(639,100)**	2,074
Increase in amounts due from joint ventures		**(11,196,247)**	(6,400,512)
Decrease in other receivables		**382,738**	542,404
Decrease/(Increase) in amounts due from non-controlling interest of a subsidiary		**791,794**	(2,759,803)
Increase in short-term bank deposits		**(1,048,846)**	(2,284,006)
Decrease/(Increase) in long-term bank deposits		**400,000**	(1,200,000)
Capital injection to joint ventures	19(b)	**(1,189,057)**	(2,375,822)
Cash inflow from disposals of subsidiaries	42(a)	**813,875**	304,597
Cash outflow from deemed disposals of subsidiaries	42(b)	**(726,153)**	(1,737,291)
Dividend income received from an associate		**254,700**	181,697
Dividend income received from financial assets at FVTPL	8	**16,597**	30,966
Interest received		**975,390**	885,642
Increase in consideration payables related to acquisitions of associate and joint venture		**(862,101)**	405,442
Increase/(Decrease) in consideration payables related to acquisitions of subsidiaries		**890,720**	(1,566,420)
Payment for consideration payable related to purchase of financial assets at FVTPL		**(430,774)**	(754,318)
Proceeds from disposals of financial assets at FVTPL		**890,461**	1,817,014
Proceeds from disposals of property, plant and equipment	38(a)	**22,486**	30,205
Proceeds from disposals of investment properties		**–**	266,115
Proceeds from disposal of deposits paid for land acquisition		**429,933**	39,400
Net cash used in investing activities		**(25,889,833)**	(24,646,115)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Capital injection by non-controlling interests		**16,674,125**	14,807,664
Increase/(Decrease) in other payables		**742,107**	(1,730,072)
(Decrease)/Increase in amounts due to associates		**(560,454)**	1,069,243
(Decrease)/Increase in amounts due to joint ventures		**(809,768)**	962,641
(Increase)/Decrease in restricted cash relating to borrowings		**(186,992)**	2,354,596
(Decrease)/Increase in amounts due to non-controlling interests of subsidiaries		**(479,907)**	162,976
Net proceeds from issuance of senior notes	31(a)	**21,808,024**	20,649,999
Proceeds from bank and other borrowings		**19,485,815**	26,820,102
Proceeds from loans from associates		**–**	2,610,667
Payment of lease liabilities	38(b)	**(179,924)**	(226,776)
Proceeds from exercise of share options		**92,532**	14,771
Proceeds from issuance of perpetual capital securities net of transaction costs		**1,350,054**	–
Proceeds from issuance of convertible bonds	31(b)	**–**	633,200
Repayments of bank and other borrowings		**(20,293,142)**	(22,296,361)
Repayments of loans from associates		**(5,000)**	(1,240,550)
Repayments of senior notes		**(3,631,784)**	(1,973,376)
Payment for repurchase of senior notes		**(2,841,089)**	(3,935,543)
Dividend paid		**(719,587)**	(644,644)
Dividend paid to non-controlling interests of subsidiaries		**(26,947)**	(12,068)
Net cash generated from financing activities		**30,418,063**	38,026,469
Net increase in cash and cash equivalents		**9,058,320**	11,316,894
Cash and cash equivalents at beginning of the year		**26,824,859**	15,479,139
Exchange adjustments		**195,583**	28,826
Cash and cash equivalents at end of the year, represented by cash and bank balances		**36,078,762**	26,824,859

The notes on pages 120 to 276 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation and health care operations in the People's Republic of China (the "PRC").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), which is also the currency of the primary economic environment in which most of the group entities operate (i.e. the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3. The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL"), investment properties and financial derivatives which have been measured at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the subsidiary's carrying value of net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

In the Company's statement of financial position the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control of these policy, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of results of associates" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint ventures

The Group applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies rates are recognised in profit or loss.

All foreign exchange gains and losses are presented in profit or loss on a net basis within "Other gains and (losses), net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

– income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates of the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken into equity owners' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Hotel properties	20-25 years
Land and buildings	20-40 years
Machinery	5 years
Motor vehicles	5-10 years
Furniture, fitting and equipment	3-8 years
Aircraft	10 years
Vessels	10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount are recognised within "Other gains and (losses), net" in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment properties also include leased properties which are being recognised as right-of-use assets under HKFRS 16 and subleased by the Group under operating leases.

Investment property is measured initially at its cost, including related cost directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowings costs.

After initial recognition, investment property is carried at fair value, unless fair value cannot be reliably determined at that time. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Changes in fair values or the sale of an investment property are recognised in profit or loss in the period in which they arise.

If an investment property becomes owner-occupied or commence to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

2.9 Land use rights

The Group makes upfront payments to obtain operating leases of land use rights (which meet the definition of right-of-use assets). The upfront payments of the land use rights are recorded as assets. The depreciation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets and goodwill

(i) Contracts with sports players

Separately acquired contracts with sports players are shown at historical cost. Costs of contracts with sports players are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method ranged from one to five years.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(ii) Trademarks and patent, customer relationship, technology, distribution network and other intangible assets

Trademarks and patent, customer relationship, technology, distribution network and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method ranged from five to eleven years over the expected life of these intangible assets.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(iii) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (i.e. the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non – controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.11).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- goodwill arising on acquisition of a subsidiary;
- other intangible assets;
- property, plant and equipment;
- right-of-use assets;
- land use rights;
- investment properties; and
- the Company's interests in subsidiaries, associates and joint ventures

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance costs, net" or "Other gains and (losses), net."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Interest income from these financial assets is included in finance income in profit or loss. The Group's debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, short-term bank deposits, long-term bank deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are categorised and measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss and other comprehensive income within "Other gains and (losses), net" in the period in which it arises. Interest income from these financial assets is included in the "Finance costs, net" in profit or loss.

Equity investments

Investments in equity instruments are classified as FVTPL unless these equity instruments are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other gains and (losses), net" in profit or loss.

Financial liabilities and equity

Classification and measurement of financial liabilities

The Group's financial liabilities include accrued construction cost, lease liabilities, borrowings and other payables (excluding deed tax and other tax payables and deposits received).

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives designated at FVTPL, which are carried subsequently at fair value with "Other gains or (losses), (net)" recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Finance costs, net" in profit or loss.

Accounting policies of lease liabilities are set out in note 2.26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss. When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Classification and measurement of financial liabilities (Continued)

Accrued construction cost and other payables

Accrued construction cost and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise expected credit losses ("ECL") – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade debtors recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade debtors

For trade debtors, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable information that demonstrate otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

(i) Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit – impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant of financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position as the loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

(ii) Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15 Properties under development

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets in note 2.26, properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised less applicable variable selling expenses and anticipated cost to completion.

Development cost of properties comprises mainly construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle.

2.16 Completed properties held for sale

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets in note 2.26, completed properties remaining unsold at each reporting date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held by banks, other short-term high liquidity investment with original maturities of three months or less.

Restricted cash, short-term bank deposits and long-term bank deposits are not included in cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.25). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.12).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Perpetual Capital Securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity. These are initially recognised at their fair value on the date of issuance and are not subsequently remeasured.

2.21 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for its associate, unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. No forfeited contribution under the defined contribution retirement benefit plans is available to reduce the contribution payable in future years. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds. No forfeited contribution under the defined contribution retirement benefit plans is available to reduce the contribution payable in future years.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus entitlements

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(v) Share-based payments

The Group operates equity-settled share option schemes, which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to equity.

2.24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when (or as) performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative standalone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Future details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the law that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(i) Sales of properties (Continued)

For properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group's performance towards satisfying the performance obligation.

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.

Deposits and instalments received from purchasers prior to delivery of the properties to the customers are contract liabilities.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Hotel operation income

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered to or rendered to and have been accepted by customers

(vi) Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognised on a straight-line basis over the period of each time charter contract.

(vii) Passenger transportation agency service

Revenue from passenger transportation agency service are recognised based on net agencies fee upon departure of ferries at terminals.

(viii) Sales of goods

The Group manufactures and sells a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognised when the products have been delivered to and accepted by customers.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2.26 Leases

(a) Definition of lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

(a) Definition of lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties are subsequently measured at fair value, in accordance with the Group's accounting policies.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise IT-equipment and small items of office equipment.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "Right-of-use assets" are presented under non-current assets. Right-of-use assets that meet the definition of investment property are presented within "investment property". The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

(a) Definition of lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.27 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the board of directors, where applicable.

2.28 Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "Other payables". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.13 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.29 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under "Other gains and (losses), net" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Related parties

For the purposes of these consolidated financial statements, 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 if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if 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 an associate or joint venture of a member of a group of which the other entity is a member);

(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 (if the Group is itself such a plan) and the sponsoring employers are also 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended standards and revised conceptual framework issued by HKICPA, which are relevant to the Group's operations and effective for the consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

Amendments to HKFRS 3 "Definition of a Business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and

- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

The application of these amendments has had no significant impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020 (Continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

The amendments provide certain temporary reliefs from applying specific hedge accounting requirements in order to deal with the potential effects of uncertainties caused by interbank offered rates ("IBOR") reform ("Reform").

In addition, the amendments require entities to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended standards have been published but are not yet effective, and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 17	Insurance Contracts and related amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include financial assets at FVTPL, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), long-term and short-term bank deposits, cash and bank balances, restricted cash, accrued construction costs, other payables, lease liabilities, derivative financial instruments and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

4.1 Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Market risk

Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that borrowings are denominated in other currencies. As at 31 December 2020 and 2019, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting dates are as follows:

	2020 RMB'000	2019 RMB'000
Monetary assets		
United States Dollars ("US$")	**5,940,094**	6,049,293
Hong Kong Dollars ("HK$")	**2,789,028**	338,543
Euro ("EUR")	**172,018**	377,702
	8,901,140	6,765,538
Monetary liabilities		
US$	**70,954,775**	58,827,932
HK$	**2,493,072**	1,265,318
	73,447,847	60,093,250

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	2020		2019	
	Sensitivity rate %	**Increase/ (Decrease) in profit or loss and equity RMB'000**	Sensitivity rate %	Increase/ (Decrease) in profit or loss and equity RMB'000
USD	**5%**	**3,424,034**	5%	2,729,259
HKD	**5%**	**93,237**	5%	50,571
EUR	**5%**	**(780)**	5%	(695)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is mainly as a result of the net foreign exchange gains/losses on translation of US$ and HK$ denominated financial assets at FVTPL, cash and bank balances, long-term and short-term bank deposits, debtors, deposits and other receivables and borrowings.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Market risk (Continued)

Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, long-term and short-term bank deposits, cash and bank balances, certain bank and other borrowings, senior notes and convertible bonds. Restricted cash, long-term and short term bank deposits, cash and bank balances, and certain bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, certain bank and other borrowings, convertible bonds and lease liabilities issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2020, if interest rates on assets and liabilities had been increased/decreased by 100 (2019: 100) basis point with all variables held constant, the Group's post-tax profit for the year would have been RMB95,301,000 decreased/increased (2019: RMB109,332,000 decreased/increased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in listed equity securities classified as financial assets at FVTPL. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of listed equity securities had been 5% (2019: 5%) increased/decreased, post-tax profit for the year ended 31 December 2020 would have been increased/decreased by approximately RMB114,389,000 (2019: RMB9,679,000).

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's credit risk primarily arises from debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, long-term and short-term bank deposits, and cash and bank balances. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Credit risk (Continued)

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 39. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The credit risk of long-term bank deposits, short-term bank deposits, restricted cash and cash and bank balances is limited because the counterparties are either state-owned banks located in the PRC or banks with high credit ratings.

For financial assets at amortised cost include other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It also considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Credit risk (Continued)

Trade debtors

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade debtors.

To measure the ECL of trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2020 and 2019, there was no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. Credit losses for trade debtors are assessed on both individual and collective basis.

The loss allowance provision of trade debtors as at 31 December 2020 and 2019 is determined as follows, the ECL provision below also incorporate forward-looking information.

Trade debtors	**Current**	**More than 180 days past due**	**More than 1 year past due**	**Total**
2020				
Expected loss rate	**0.1%-0.5%**	**1%-5%**	**10%-100%**	
Gross carrying amount (note 24(a)) (RMB'000)	**1,620,525**	**241,848**	**315,438**	**2,177,811**
Loss allowance provision (note 24(a)) (RMB'000)	**4,554**	**4,781**	**48,665**	**58,000**

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
2019				
Expected loss rate	0.1%-0.5%	1%-5%	10%-60%	
Gross carrying amount (note 24(a)) (RMB'000)	932,097	293,499	119,926	1,345,522
Loss allowance provision (note 24(a)) (RMB'000)	1,082	13,770	57,620	72,472

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes)

For financial assets at amortised cost include other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. Credit losses for deposits and other receivables (excluding prepayments and prepaid other taxes) are assessed on both individual and collective basis.

A summary of the assumptions underlying the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 180 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

As at 31 December 2020 and 2019, the Group provides for credit losses against other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries as follows:

2020

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	**1-10%**	**12 month expected losses**	**40,751,249**	**(1,098,335)**	**39,652,914**
Underperforming	**10%-20%**	**Lifetime expected losses**	**213,095**	**(42,619)**	**170,476**
Non-performing	**30%-50%**	**Lifetime expected losses**	**1,083,123**	**(786,966)**	**296,157**
Total			**42,047,467**	**(1,927,920)**	**40,119,547**

2019

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	25,453,753	(799,919)	24,653,834
Non-performing	30%-50%	Lifetime expected losses	1,378,543	(269,775)	1,108,768
Total			26,832,296	(1,069,694)	25,762,602

No significant change to estimation techniques or assumptions was made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

The loss allowance provision for deposits and other receivables (excluding prepayments and prepaid other taxes) as at 31 December 2020 and 2019 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000	Underperforming RMB'000	Non-performing RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2019	548,215	6,662	204,817	759,694
Individual financial assets transferred to underperforming and non-performing	(102,407)	–	102,407	–
Provision for loss allowance recognised in profit or loss during the year	354,111	–	74,957	429,068
Written off	–	(6,662)	(112,406)	(119,068)
Closing loss allowance as at 31 December 2019 and 1 January 2020	**799,919**	**–**	**269,775**	**1,069,694**
Individual financial assets transferred to underperforming and non-performing	**(58,722)**	**–**	**58,722**	**–**
Provision for loss allowance recognised in profit or loss during the year	**357,138**	**42,619**	**458,469**	**858,226**
Closing loss allowance as at 31 December 2020	**1,098,335**	**42,619**	**786,966**	**1,927,920**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

	Trade debtors RMB'000	Deposits and other receivables (excluding prepayments and prepaid other taxes) RMB'000	Total RMB'000
Closing loss allowance as at 1 January 2019	23,470	759,694	783,164
Provision for loss allowance recognised in profit or loss during the year (note 8)	49,002	429,068	478,070
Written off	–	(119,068)	(119,068)
Closing loss allowance as at 31 December 2019 and 1 January 2020	**72,472**	**1,069,694**	**1,142,166**
Provision for loss allowance recognised in profit or loss during the year (note 8)	**18,227**	**858,226**	**876,453**
Written off	**(32,699)**	**–**	**(32,699)**
Closing loss allowance as at 31 December 2020	**58,000**	**1,927,920**	**1,985,920**

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Liquidity risk

Management aims at maintaining sufficient cash and bank balances or having available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, short-term and long-term bank and other borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2020 and 2019. As at 31 December 2020, the Group's total borrowings stood at RMB121,470,959,000 (2019: RMB117,195,552,000). During the year ended 31 December 2020, in order to properly manage the Group's liquidity risk and capital structure, the Group has issued several batches of senior notes with an aggregated principal amount of RMB22,016,058,000 (2019: RMB20,872,250,000).

Except for the aforementioned recent development, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adopt the changing local real estate market environment, implementing cost control measures, accelerating sales with more flexible pricing, seeking partners to develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will pursue such options based on its assessment of relevant future costs and benefits.

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company have reviewed the working capital forecast of the Group for the 12 months from 31 December 2020 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the reporting date.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Accrued construction costs	**18,593,833**	**–**	**–**	**–**	**18,593,833**
Borrowings	**31,374,990**	**76,214,984**	**33,450,950**	**1,697,535**	**142,738,459**
Other payables	**24,260,845**	**19,768**	**–**	**–**	**24,280,613**
Lease liabilities	**137,953**	**104,460**	**204,977**	**272,251**	**719,641**
	74,367,621	**76,339,212**	**33,655,927**	**1,969,786**	**186,332,546**
Financial guarantees issued:					
Maximum amount guaranteed (note 39)	**27,272,582**	**–**	**–**	**–**	**27,272,582**

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Accrued construction costs	14,494,060	–	–	–	14,494,060
Borrowings	41,779,534	33,132,489	66,036,584	3,153,779	144,102,386
Other payables	27,011,322	10,248	–	–	27,021,570
Lease liabilities	241,716	200,618	502,587	1,045,943	1,990,864
	83,526,632	33,343,355	66,539,171	4,199,722	187,608,880
Financial guarantees issued:					
Maximum amount guaranteed (note 39)	32,816,544	–	–	–	32,816,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, long-term and short-term bank deposits and restricted cash.

The gearing ratios of the Group at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Total borrowings (note 31)	**121,470,959**	117,195,552
Less: Cash and bank balances, long-term and short-term bank deposits (note 28) and restricted cash (note 27)	**(47,113,220)**	(36,978,038)
Net debt	**74,357,739**	80,217,514
Total equity	**78,719,374**	55,706,573
Gearing ratio	**94.46%**	144.00%

The gearing ratio for 2020 was lower than that for 2019 as a result of the increase in profit for the year as well as issue of perpetual capital securities.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices, and not using significant unobservable inputs) (level 2).
- Significant inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Assets				
Financial assets at FVTPL	**2,421,118**	**2,692,525**	**5,593,857**	**10,707,500**
Liabilities				
Derivative financial instruments	**–**	**–**	**27,450**	**27,450**
As at 31 December 2019				
Assets				
Financial assets at FVTPL	258,114	1,209,339	6,382,938	7,850,391
Liabilities				
Derivative financial instruments	–	–	82,807	82,807

There was no transfer into or out of level 3 during the year ended 31 December 2020.

During the year ended 31 December 2019, financial assets at FVTPL related to investment in equity fund which invest in automobile business amounting to RMB199,131,000 were transferred in level 3 to level 1.

The nominal value less impairment provisions of debtors and other receivables and the nominal value of accrued construction costs and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

As at 31 December 2020, the fair value of unlisted debt securities of RMB2,692,525,000 in level 2 are determined by reference to the quoted market makers. As at 31 December 2019, the fair value of unlisted managed funds of RMB1,209,339,000 in level 2 were determined by reference to the net asset values of these investments prescribed by a financial institution, which is based on the fair value of the underlying investments. Fair value gain on financial assets at FVTPL of RMB326,136,000 (2019: RMB57,489,000) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2020.

(iii) Financial instruments in level 3

Information about level 3 financial derivatives' fair value measurements

The following table presents the changes in level 3 financial assets for the year ended 31 December 2020 and 2019:

	2020 RMB'000	2019 RMB'000
At 1 January	**6,382,938**	6,636,349
Additions	**43,113**	246,132
Derecognition	**(97,713)**	(1,904,427)
Net fair value (loss)/gain recognised in profit or loss	**(731,934)**	1,404,884
Exchange realignment	**(2,547)**	–
At 31 December	**5,593,857**	6,382,938

Additions during the year ended 31 December 2020 mainly represented unlisted investment fund units in properties development and other businesses in the PRC. Disposal during the year ended 31 December 2020 represented unlisted investment fund units in properties development and other business in the PRC.

For the financial assets at FVTPL, the net fair value loss on financial assets at FVTPL amounting to RMB731,934,000 (2019: fair value gain on RMB1,404,884,000) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2020. For the financial derivative, the fair value gain of financial derivatives amounting to RMB52,838,000 (2019: fair value loss of RMB82,191,000) was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. Information for the derivative financial instruments as detail disclosed in note 33.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

Information about level 3 financial derivatives' fair value measurements (Continued)

The fair value of financial instruments is determined by using the market approach model. The valuation techniques and significant unobservable inputs of the financial assets at FVTPL and derivative financial instruments are as follows:

Financial instrument	Valuation techniques	Significant unobservable inputs	Range	Sensitivity relationship of unobservable inputs to fair value
Financial assets at FVTPL	Market approach method	Price to book ratios (2019: Price to book ratios)	0.5 to 4.1 (2019: 0.66 to 2.75)	Increase/(decrease) in price to book (2019: price to book)
		Discount for lack of marketability (2019: Discount for lack of marketability)	20% (2019: 20%)	Increase/(decrease) in discount rate would result in increase/(decrease) in fair value
Derivative financial instruments	Binomial option pricing model	Expected volatility (2019: Expected volatility)	43.85% to 45.90% (2019: 50.4% to 56.07%)	Increase/(decrease) in expected volatility would result in increase/(decrease) in fair value

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 17 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2019 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2020		2019	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Senior notes (note 31(a))	**68,324,036**	**73,377,953**	56,418,863	56,416,773

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2020 and 2019.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

5.1 Key estimation of uncertainties

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 17 to the consolidated financial statements.

As at 31 December 2020, the aggregate fair value of the Group's investment properties amounted to RMB34,524,400,000 (2019: RMB35,309,000,000) based on the valuation performed by an independent professional valuers.

(ii) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2020, based on management's best estimates, the Group has made a provision of RMB3,320,627,000 (2019: RMB1,499,464,000) for properties under development and completed properties held for sale.

(iii) Provision for prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2020, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB25,004,121,000 (2019: RMB23,782,080,000) and RMB18,204,746,000 (2019: RMB19,891,354,000) respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.1 Key estimation of uncertainties (Continued)

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) at the reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amounts of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2020, based on management's best estimates, the Group has made a provision of RMB149,316,000 (2019: RMB149,316,000), RMB20,461,000 (2019: RMB20,461,000), RMB658,685,000 (2019: RMB658,685,000) and RMB473,361,000 (2019: RMB473,361,000) for property, plant and equipment, land use rights, investments in associates and intangible assets (other than goodwill) respectively.

(v) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income taxes and withholding taxes on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB1,270,162,000 (2019: RMB1,205,465,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its land appreciation taxes calculation and payments with any local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation tax. The Group recognises these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.1 Key estimation of uncertainties (Continued)

(vi) Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 5 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the reporting date, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in will be taken into account.

As at 31 December 2020, the carrying amount of the intangible asset is RMB316,841,000 (2019: RMB280,829,000).

(vii) Provision for impairment of trade debtors and other receivables

Under HKFRS 9, the Group makes allowances on items subjects to ECL (including debtors, deposits and other receivables (excluding prepayments and prepaid other taxes)) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.13 As at 31 December 2020, the aggregate carrying amounts of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB42,239,358,000 (net of ECL allowance of RMB1,985,920,000) (2019: RMB27,035,652,000 (net of ECL allowance of RMB1,142,166,000)).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

(viii) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 21(a).

(ix) Fair value measurement of financial instruments

Financial asset at FVTPL amounting to RMB5,593,857,000 (2019: RMB6,382,938,000) as at 31 December 2020 is measured at fair value with fair value being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures regarding the fair value measurement of these financial assets are set out in note 4.3.

(x) Impairment of associates and joint ventures

The investments in associates or joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates or joint ventures, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

As at 31 December 2020, based on management's best estimates, the Group has made a provision of RMB658,685,000 (2019: RMB658,685,000) for investments in associates. The carrying amounts of investments in associates and joint ventures are RMB13,817,340,000 and RMB18,386,366,000 (2019: RMB11,918,789,000 and RMB14,092,325,000) respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.2 Critical accounting judgements

(i) Revenue recognition from sales of properties

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with enforceable right to payment for performance completed to date and those without the right.

The Group recognises property development revenue over time by reference to the progress toward complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

The Group recognised sales of properties over time amounted to RMB2,819,415,000 (2019: RMB2,011,751,000) (note 6) for the year ended 31 December 2020.

(ii) Classification of financial assets at FVTPL

Note 20 describes that the investment in an unlisted entity is treated as financial assets at FVTPL although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making the judgement, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it does not have sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as financial assets at FVTPL.

(iii) Business combinations and control over Kaisa Health Group Holdings Limited ("Kaisa Health Group")

The Group has de facto control over Kaisa Health Group in November 2019 and since then the Group's 42.89% interest at the completion date of right issue of Kaisa Health Group (2019: 42.89%) is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

6. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value gain/(loss) of financial derivatives, net fair value (loss)/gain on financial assets at FVTPL, net loss/(gain) on repurchase of senior notes, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation operation and regarded these being the reportable segments. During the year ended 31 December 2020, the health care business has become significant to the Group and presented as a separate segment.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2020 and 2019 consists of the following:

	2020 **RMB'000**	2019 RMB'000
Sales of properties	**51,194,413**	43,848,644
Rental income	**543,704**	455,728
Property management services	**1,349,154**	912,299
Hotel and catering operations	**263,415**	276,862
Cinema, department store and cultural centre operations	**158,185**	664,433
Water-way passenger and cargo transportation	**424,371**	869,842
Health care operations	**490,999**	223,532
Others	**1,345,940**	770,345
	55,770,181	48,021,685

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Total RMB'000
Revenue	51,194,413	561,724	1,837,038	283,334	206,351	427,991	490,999	2,131,553	57,133,403
Less: inter-segment revenue	–	(18,020)	(487,884)	(19,919)	(48,166)	(3,620)	–	(785,613)	(1,363,222)
Revenue from external customers	51,194,413	543,704	1,349,154	263,415	158,185	424,371	490,999	1,345,940	55,770,181
Revenue from contracts with customers									
– recognised at a point in time	48,374,998	–	–	–	–	241,043	490,999	–	49,107,040
– recognised over time	2,819,415	–	1,349,154	263,415	158,185	183,328	–	1,345,940	6,119,437
Revenue from other sources									
– rental income	–	543,704	–	–	–	–	–	–	543,704
	51,194,413	543,704	1,349,154	263,415	158,185	424,371	490,999	1,345,940	55,770,181
Segment results before net gain on disposals of subsidiaries, net gains on deemed disposals of subsidiaries, net fair value gain of investment properties and share of results of associates and joint ventures	11,510,757	211,418	(8,668)	(4,799)	(898,638)	(47,026)	67,651	704,864	11,535,559
Net gain on disposals of subsidiaries (note 42(a))	207,911	281,751	–	–	279,016	–	–	5,397	774,075
Net gain on deemed disposals of subsidiaries (note 42(b))	573,080	8,936	–	234,544	–	–	–	–	816,560
Net fair value gain of investment properties (note 17)	–	189,433	–	–	–	–	–	–	189,433
Share of results of associates	63,914	–	26	–	1	–	(40,781)	(67,916)	(44,756)
Share of results of joint ventures (note 19(b))	82,515	(17,473)	(8,662)	(1,000)	–	–	–	(17,785)	37,595
Segment results	12,438,177	674,065	(17,304)	228,745	(619,621)	(47,026)	26,870	624,560	13,308,466
Fair value gain of financial derivatives									52,838
Net fair value loss on financial assets at FVTPL (note 8)									(307,182)
Net loss on repurchase of senior notes (note 8)									(5,403)
Corporate and other unallocated expenses									(728,348)
Finance income									466,546
Finance costs									(2,284,561)
Finance costs, net (note 9)									(1,818,015)
Profit before income tax									10,502,356
Income tax expenses (note 10)									(5,223,975)
Profit for the year									5,278,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:										
Depreciation										
– property, plant and equipment (notes 7 and 15)	66,298	7,248	3,791	24,029	10,239	62,638	8,317	5,809	7,718	196,087
– right-of-use assets (notes 7 and 16)	61,846	9,610	2,089	8,729	6,060	5,263	1,838	44,425	(7,983)	131,877
Amortisation of intangible assets (notes 7 and 21)	–	–	2,507	–	268,126	–	44,793	3,729	–	319,155
Depreciation of land use rights (notes 7 and 18)	8,515	–	–	9,891	1,224	–	737	–	–	20,367
Write-down of completed properties held for sale and properties under development (note 8)	2,578,917	–	–	–	–	–	–	–	–	2,578,917
Written off of debtors and other receivables (note 8)	476,510	–	–	–	–	–	–	–	–	476,510

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	862,743,144	43,746,564	7,464,778	3,909,126	10,849,454	30,103,753	9,703,569	161,868,564	(832,182,754)	298,206,198
Unallocated										11,692,361
Total assets										309,898,559
Segment liabilities	644,520,805	4,030,193	4,726,775	3,327,312	12,347,955	22,619,296	5,683,350	136,677,415	(755,128,110)	78,804,991
Unallocated										152,374,194
Total liabilities										231,179,185
Other information:										
Capital expenditure (notes 15, 16, 17,18 and 21)	153,652	1,329,052	5,897	332,053	320,667	269,568	206,408	400,843	–	3,018,140
Investments in associates	2,738,493	–	14,700	–	–	–	–	235,406	–	2,988,599
Investments in joint ventures (note 19(b))	2,701,195	–	–	–	–	–	–	50,000	–	2,751,195

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Total RMB'000
Revenue	43,848,644	639,332	1,356,640	309,451	723,285	897,369	223,532	2,074,894	50,073,147
Less: inter-segment revenue	–	(183,604)	(444,341)	(32,589)	(58,852)	(27,527)	–	(1,304,549)	(2,051,462)
Revenue from external customers	43,848,644	455,728	912,299	276,862	664,433	869,842	223,532	770,345	48,021,685
Revenue from contracts with customers									
– recognised at a point in time	41,836,893	–	–	–	–	563,360	223,532	–	42,623,785
– recognised over time	2,011,751	–	912,299	276,862	664,433	306,482	–	770,345	4,942,172
Revenue from other sources									
– rental income	–	455,728	–	–	–	–	–	–	455,728
	43,848,644	455,728	912,299	276,862	664,433	869,842	223,532	770,345	48,021,685
Segment results before net gain on disposals of subsidiaries, net gain on deemed disposals of subsidiaries, net fair value gain of investment properties and share of results of associates and joint ventures	6,793,745	(94,426)	212,451	(85,339)	(468,853)	193,706	(327,922)	(207,319)	6,016,043
Net gain on disposals of subsidiaries (note 42(a))	245,581	–	–	–	–	–	–	–	245,581
Net gain on deemed disposals of subsidiaries (note 42(b))	2,460,638	–	–	–	–	–	–	–	2,460,638
Net fair value gain of investment properties (note 17)	–	178,419	–	–	–	–	–	–	178,419
Share of results of associates	95,002	–	–	–	–	–	16,272	(18,655)	92,619
Share of results of joint ventures (note 19(b))	(180,128)	–	(412)	–	–	–	–	(17,157)	(197,697)
Segment results	9,414,838	83,993	212,039	(85,339)	(468,853)	193,706	(311,650)	(243,131)	8,795,603
Fair value loss of financial derivatives									(82,191)
Net fair value gain on financial assets at FVTPL (note 8)									1,380,931
Net gain on repurchase of senior notes (note 8)									178,438
Corporate and other unallocated expenses									(586,673)
Finance income									580,269
Finance costs									(798,774)
Finance costs, net (note 9)									(218,505)
Profit before income tax									9,467,603
Income tax expenses (note 10)									(5,303,595)
Profit for the year									4,164,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:										
Depreciation										
– property, plant and equipment (notes 7 and 15)	80,056	4,463	6,582	25,110	7,106	43,055	7,212	15,280	827	189,691
– right-of-use assets (notes 7 and 16)	52,559	6,043	2,020	7,938	11,859	4,547	–	97,915	–	182,881
Amortisation of intangible assets (notes 7 and 21)	–	–	819	–	251,021	–	91,050	–	–	342,890
Depreciation of land use rights (notes 7 and 18)	8,515	–	–	7,898	1,745	–	–	–	–	18,158
Loss on disposal of investment properties (note 8)	–	193,825	–	–	–	–	–	–	–	193,825
Loss on disposal of deposits for land acquisitions (note 8)	40,753	–	–	–	–	–	–	–	–	40,753
Loss on derecognition of interest in an associate (note 8 and 19(a))	252,016	–	–	–	–	–	–	–	–	252,016
Impairment loss on goodwill (notes 8 and 21)	–	–	–	–	–	–	203,931	–	–	203,931
Impairment loss on intangible assets (notes 8 and 21)	–	–	–	–	–	–	473,361	–	–	473,361
Write-down of completed properties held for sale and properties under development (note 8)	367,737	–	–	–	–	–	–	–	–	367,737
Written off of intangible assets (notes 8 and 21)	–	–	–	–	22,230	–	–	–	–	22,230
Written off of debtors and other receivables (note 8)	195,500	–	566	–	–	79,185	–	–	–	275,251

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Health care operations RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	634,693,133	44,219,135	5,500,989	4,606,920	4,199,238	27,786,843	8,166,274	122,398,248	(590,475,474)	261,095,306
Unallocated										9,807,056
Total assets										270,902,362
Segment liabilities	486,880,843	6,447,349	3,065,795	4,199,199	5,118,559	20,494,836	4,757,522	103,396,726	(531,595,390)	102,765,439
Unallocated										112,430,350
Total liabilities										215,195,789
Other information:										
Capital expenditure (notes 15, 16, 17 and 21)	46,543	1,158,811	8,595	10,517	363,305	124,613	27,724	823,661	–	2,563,769
Investments in associates	2,668,593	–	–	–	–	–	2,184,001	838,503	–	5,691,097
Investments in joint ventures (note 19(b))	2,326,022	–	2,520	–	–	–	–	60,000	–	2,388,542

6. SEGMENT INFORMATION (Continued)

For the years ended 31 December 2020 and 31 December 2019, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

As at 31 December 2020, segment assets of property development segment, property management, cinema, department store and cultural centre operations, health care operations and others segment included the investments in associates accounted for using the equity method totalling approximately RMB8,226,990,000, RMB14,726,000, RMB1,000, RMB2,159,492,000 and RMB3,416,131,000 (2019: RMB5,763,080,000, nil, nil, RMB2,200,273,000 and RMB3,955,436,000) respectively. In addition, the segment assets of property development segment, property management segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB18,159,688,000, RMB102,805,000, RMB32,027,000 and RMB91,846,000 (2019: RMB14,030,585,000, nil, RMB2,108,000 and RMB59,632,000) respectively.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, long-term bank deposits, and cash and bank balances. They exclude financial assets at FVTPL, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of contract liabilities, accrued construction costs, operating borrowings and other payables. They exclude lease liabilities, deferred tax liabilities, income tax payable, corporate borrowings and derivative financial instruments.

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2020 RMB'000	2019 RMB'000
Auditor's remunerations		
– Audit services	**8,000**	7,000
– Non-audit services	**3,200**	2,800
Advertising and other promotional costs	**773,812**	655,115
Agency fee	**763,228**	644,043
Depreciation of land use rights (note 18)	**20,367**	18,158
Amortisation of intangible assets (note 21)	**319,155**	342,890
Bank charges	**107,843**	16,092
Cost of properties sold	**35,874,625**	31,096,871
Depreciation		
– property, plant and equipment (note 15)	**196,087**	189,691
– right-of-use assets (note 16)	**131,877**	182,881
Direct operating expenses arising from		
– investment properties	**217,334**	97,561
– property management services	**1,207,427**	577,056
– hotel and catering operations	**101,817**	107,518
– cinema, department store, and cultural centre operations	**948,705**	564,918
– water-way passenger and cargo transportation	**413,091**	635,350
Donations	**248,112**	188,044
Entertainment	**141,551**	99,717
Legal and professional fees	**605,926**	565,220
Office expenses	**245,654**	191,717
Minimum lease payments under operating leases (note)	**23,097**	11,378
Others	**434,386**	943,913
Other taxes	**473,108**	465,997
Staff costs – including directors' emoluments (note 13)	**2,316,105**	1,888,554
Travelling	**35,777**	46,121
	45,610,284	39,538,605

Note: According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss for the years ended 31 December 2020 and 2019. Short-term leases are leases with a lease term of less than 12 months.

8. OTHER GAINS AND (LOSSES) – NET

	2020 RMB'000	2019 RMB'000
Compensation paid	**(145,033)**	–
Dividend income received from		
– listed financial assets at FVTPL	**300**	72
– unlisted financial assets at FVTPL	**16,297**	30,894
Forfeited customer deposits	**4,887**	9,295
Government subsidy income (note)	**153,740**	83,217
Net loss on disposals of investment properties	**–**	(193,825)
Loss on disposals of property, plant and equipment (note 38(a))	**(6,768)**	(17,987)
Loss on disposal of deposits for land acquisition	**–**	(40,753)
Net fair value (loss)/gain on financial assets at FVTPL	**(307,182)**	1,380,931
Net exchange gain/ (losses)	**4,670,815**	(816,497)
Loss on derecognition of interest in an associate (note 19(a))	**–**	(252,016)
Impairment loss on intangible assets (note 21)	**–**	(473,361)
Impairment loss on goodwill (note 21)	**–**	(203,931)
Net (loss)/gain on repurchase of senior notes (note 31(a))	**(5,403)**	178,438
Provision for ECL (note 4.1)	**(876,453)**	(478,070)
Remeasurement losses resulting from associates and joint ventures (note 41(c))	**(192,272)**	–
Write-down of completed properties held for sale and properties under development (note 41(c))	**(2,578,917)**	(367,737)
Written off of intangible assets (note 21)	**–**	(22,230)
Written off of debtors and other receivables	**(476,510)**	(275,251)
Others	**77,228**	(35,530)
	334,729	(1,494,341)

Note:

The amount represents the subsidies received from local government bureaux in the PRC as an incentive for development in specific regions. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCE COSTS – NET

	2020 RMB'000	2019 RMB'000
Finance income		
Interest income on bank deposits	**377,139**	377,317
Interest income from associates	**1,848**	3,337
Interest income from loans to third parties	**87,559**	199,615
	466,546	580,269
Finance costs		
Interest expense		
– Bank borrowings	**3,063,597**	3,928,097
– Senior Notes (note 31(a))	**6,966,334**	5,062,042
– Convertible Bonds (note 31(b))	**91,476**	93,632
– Other borrowings	**1,362,675**	1,721,120
– Lease liabilities	**41,533**	71,678
Total interest expense	**11,525,615**	10,876,569
Less: interest capitalised (note)	**(9,241,054)**	(10,077,795)
	2,284,561	798,774
Finance costs – net	**(1,818,015)**	(218,505)

Note: The capitalisation rate of borrowings is 8.06% (2019: 8.10%) for the year.

10. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC enterprise income tax	**3,162,104**	2,466,161
– PRC land appreciation tax	**2,222,657**	2,559,899
Deferred income tax	**(160,786)**	277,535
	5,223,975	5,303,595

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**10,502,356**	9,467,603
Share of results of associates and joint ventures, net	**7,161**	105,078
Profit attributable to the Company and subsidiaries	**10,509,517**	9,572,681
Calculated at PRC enterprise income tax rate of 25% (2019: 25%)	**2,627,379**	2,393,170
Effect of different income tax rates of subsidiaries	**(723,109)**	135,020
Income not subject to tax	**(52,906)**	(1,255,848)
Expenses not deductible for tax purposes	**88,087**	68,996
Tax losses not recognised	**1,061,867**	1,402,358
PRC enterprise income tax	**3,001,318**	2,743,696
PRC land appreciation tax	**2,222,657**	2,559,899
Income tax expenses	**5,223,975**	5,303,595

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The group companies in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2020 and 2019 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES (Continued)

PRC withholding income tax

According to the Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2019: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

11. DIVIDEND

(a) Dividends attributable to the year

	2020 RMB'000	2019 RMB'000
2020 interim dividends declared of HK3.0 cents (2019: HK3.0 cents) per share	**167,498**	165,961
Proposed 2020 final dividend of HK12.0 cents (2019: HK10.0 cents) per share	**619,382**	545,262

An interim dividend of HK3.0 cents (equivalent to approximately RMB2.65 cents) (2019: HK3.0 cents (equivalent to approximately RMB2.53 cents)) per share during the year ended 31 December 2020 was approved at the extraordinary general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK$183,989,000 (equivalent to approximately RMB167,498,000) (2019: HK$182,495,000 (equivalent to approximately RMB165,961,000).

The Board recommended the payment of a 2020 final dividend of HK12.0 cents (equivalent to approximately RMB10.0 cents) per share, totalling HK$735,957,000 (equivalent to approximately RMB619,382,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, of HK10.0 cents (2019: HK9.0 cents) per share	**552,089**	478,683

A final dividend in respect of the year ended 31 December 2019 of HK10.0 cents (equivalent to approximately RMB8.96 cents) per share was approved at the annual general meeting on 15 June 2020 (2019: a final dividend in respect of the year ended 31 December 2018 of HK9.0 cents (equivalent to approximately RMB7.89 cents) per share). The aggregate amount of final dividend declared from share premium of the Company amounted to approximately HK$608,687,000 (equivalent to approximately RMB552,089,000) (2019: HK$546,317,000 (equivalent to approximately RMB478,683,000)).

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to owners of the Company (RMB'000)	**5,447,125**	4,594,265
Weighted average number of ordinary shares in issue	**6,112,724,197**	6,079,445,127
Basic earnings per share (RMB)	**0.891**	0.756

The calculation of basic earnings per share is based on the Group's profits attributable to owners of the Company of RMB5,447,125,000 (2019: RMB4,594,265,000) and the weighted average number of 6,112,724,197 (2019: 6,079,445,127) ordinary shares, after adjusting for the issue of shares upon exercise of share options during the year ended 31 December 2020.

(b) Diluted

	2020	2019
Profit attributable to owners of the Company (RMB'000)	**5,447,125**	4,594,265
Weighted average number of ordinary shares in issue during the year	**6,112,724,197**	6,079,445,127
Effect of issue of shares under:		
– adjustment for share option scheme	**21,930,665**	29,625,471
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,134,654,862**	6,109,070,598
Diluted earnings per share (RMB)	**0.888**	0.752

Diluted earnings per share for the year ended 31 December 2020 and 2019 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion of all dilutive potential ordinary shares (share options).

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options. The potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to owners of the Company and is not taken into account as they had an anti-dilutive effects.

13. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2020 RMB'000	2019 RMB'000
Wages and salaries	**1,952,007**	1,380,220
Discretionary bonuses	**7,481**	5,535
Contribution to pension schemes	**10,074**	70,265
Medical benefits	**30,099**	32,474
Share-based payments (note 43(a))	**112,995**	139,961
Other allowances and benefits	**203,449**	260,099
	2,316,105	1,888,554

Contribution to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and the maximum monthly contribution is HK$1,500.

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefit of Directors) Regulations, is as follows:

	Year ended 31 December 2020						
	Fees RMB'000	Salary RMB'000 (note vi)	Other benefits RMB'000	Discretionary performance-related bonus RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note v)	Total RMB'000
Name of director							
Chairman							
Mr. Kwok Ying Shing	–	3,732	–	–	16	–	3,748
Vice Chairman							
Mr. Sun Yuenan	–	12,264	72	–	19	6,674	19,029
Executive Directors							
Mr. Zheng Yi (note iii)	–	1,053	14	–	3	–	1,070
Mr. Mai Fan*	–	7,741	56	–	19	2,225	10,041
Mr. Weng Hao (note ii and iii)	–	1,209	15	–	4	–	1,228
Mr. Li Hai Ming (note iv)	–	5,349	56	–	3	1,557	6,965
Mr. Kwok Hiu Kwan (note iv)	–	1,383	410	–	4	–	1,797
Non-Executive Director							
Ms. Chen Shaohuan	–	256	–	–	–	–	256
Independent Non-Executive Directors							
Mr. Rao Yong	267	–	–	–	–	311	578
Mr. Zhang Yizhao	267	–	–	–	–	311	578
Mr. Liu Xuesheng	267	–	–	–	–	267	534
Total	801	32,987	623	–	68	11,345	45,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2019						
	Fees RMB'000	Salary RMB'000 (note vi)	Other benefits RMB'000	Discretionary performance-related bonus RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note v)	Total RMB'000
Name of director							
Chairman							
Mr. Kwok Ying Shing	–	3,697	–	–	15	–	3,712
Vice Chairman							
Mr. Sun Yuenan	–	11,485	68	–	35	10,665	22,253
Executive Directors							
Mr. Zheng Yi	–	5,417	52	–	35	28,747	34,251
Mr. Mai Fan*	–	6,590	52	–	35	3,555	10,232
Mr. Zhang Jianjun (note i)	–	–	–	–	–	–	–
Mr. Weng Hao (note ii and iii)	–	5,149	53	–	39	2,488	7,729
Non-Executive Director							
Ms. Chen Shaohuan	–	265	–	–	–	–	265
Independent Non-Executive Directors							
Mr. Rao Yong	265	–	–	–	–	498	763
Mr. Zhang Yizhao	265	–	–	–	–	498	763
Mr. Liu Xuesheng	265	–	–	–	–	427	692
Total	795	32,603	225	–	159	46,878	80,660

* Chief executive officer of the Company

Notes:

(i) Resigned on 4 January 2019 as executive director of the Company.

(ii) Appointed on 4 January 2019 as executive director of the Company.

(iii) Resigned on 6 April 2020 as executive director of the Company.

(iv) Appointed on 6 April 2020 as executive director of the Company.

(v) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.

(vi) Salary paid to a director is generally an emolument paid or payable in respect of the person's other services in connection with the management of the affairs of the Company and its subsidiary undertakings

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any director as an inducement to join or leave the Group or compensation for loss of office. There were no arrangements under which a director has waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2019: three) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining two (2019: two) individuals for the year ended 31 December 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	**11,660**	12,250
Contribution to pension schemes	**5**	23
Share-based payments	**3,842**	9,190
	15,507	21,463

The emoluments for the remaining two (2019: two) individuals for the year ended 31 December 2020 fell within the following bands:

	Number of Individuals 2020	Number of Individuals 2019
HK$0 to HK$1,000,000	**–**	–
HK$7,000,001 to HK$7,500,000	**1**	–
HK$10,000,001 to HK$10,500,000	**1**	–
HK$11,000,001 to HK$11,500,000	**–**	1
HK$13,000,001 to HK$13,500,000	**–**	1

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the remaining two (2019: two) individuals for the year ended 31 December 2020 as an inducement to join or leave the Group or compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Land and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Aircraft RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019									
Cost	1,250,085	898,027	26,720	84,353	1,083,752	–	480,521	105,809	3,929,267
Accumulated depreciation and impairment	(157,269)	(196,308)	(5,044)	(41,953)	(390,197)	–	(82,616)	–	(873,387)
Net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	–	397,905	105,809	3,055,880
Year ended 31 December 2019									
Opening net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	–	397,905	105,809	3,055,880
Additions	–	24,840	5,781	5,807	203,919	–	73,903	61,558	375,808
Acquisitions of subsidiaries (note 41)	–	891,551	22,734	556	1,725	–	–	45,629	962,195
Transfer	–	–	–	–	–	–	65,936	(65,936)	–
Transfer from properties under development (note 22)	779,329	–	–	–	–	–	–	–	779,329
Disposals	–	–	(5,780)	(339)	(2,671)	–	(443)	(38,959)	(48,192)
Disposals of subsidiaries (note 42(a))	–	(59,437)	–	–	(156)	–	–	–	(59,593)
Deemed disposals of subsidiaries (note 42(b))	–	–	–	(459)	(62,277)	–	–	–	(62,736)
Depreciation (notes 6 and 7)	(48,215)	(31,525)	(7,212)	(8,912)	(51,600)	–	(42,227)	–	(189,691)
Exchange realignment	–	–	1,047	611	71	–	4,777	–	6,506
Closing net carrying amounts	1,823,930	1,527,148	38,246	39,664	782,566	–	499,851	108,101	4,819,506
At 31 December 2019									
Cost	2,029,414	1,779,576	97,567	90,318	1,218,033	–	620,693	108,101	5,943,702
Accumulated depreciation and impairment	(205,484)	(252,428)	(59,321)	(50,654)	(435,467)	–	(120,842)	–	(1,124,196)
Net carrying amounts	1,823,930	1,527,148	38,246	39,664	782,566	–	499,851	108,101	4,819,506
Year ended 31 December 2020									
Opening net carrying amounts	**1,823,930**	**1,527,148**	**38,246**	**39,664**	**782,566**	**–**	**499,851**	**108,101**	**4,819,506**
Additions	**317,959**	**13,933**	**28,990**	**14,158**	**89,926**	**324,949**	**207,908**	**207,516**	**1,205,339**
Acquisitions of subsidiaries (note 41)	**–**	**4,114**	**–**	**–**	**1,617**	**–**	**–**	**–**	**5,731**
Disposals	**–**	**–**	**(4,783)**	**(1,479)**	**(7,740)**	**–**	**–**	**(15,252)**	**(29,254)**
Disposals of subsidiaries (note 42(a))	**(432,554)**	**–**	**–**	**(16)**	**(46,728)**	**–**	**–**	**–**	**(479,298)**
Deemed disposals of subsidiaries (note 42(b))	**–**	**–**	**–**	**(730)**	**(18,890)**	**–**	**–**	**–**	**(19,620)**
Depreciation (notes 6 and 7)	**(59,404)**	**(31,952)**	**(8,317)**	**(6,483)**	**(20,480)**	**(7,718)**	**(61,733)**	**–**	**(196,087)**
Exchange realignment	**–**	**–**	**5,675**	**(223)**	**147**	**–**	**–**	**–**	**5,599**
Closing net carrying amounts	**1,649,931**	**1,513,243**	**59,811**	**44,891**	**780,418**	**317,231**	**646,026**	**300,365**	**5,311,916**
At 31 December 2020									
Cost	**1,857,970**	**1,823,387**	**127,449**	**51,374**	**800,864**	**324,949**	**828,602**	**300,365**	**6,114,960**
Accumulated depreciation and impairment	**(208,039)**	**(310,144)**	**(67,638)**	**(6,483)**	**(20,446)**	**(7,718)**	**(182,576)**	**–**	**(803,044)**
Net carrying amounts	**1,649,931**	**1,513,243**	**59,811**	**44,891**	**780,418**	**317,231**	**646,026**	**300,365**	**5,311,916**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2020, hotel properties, land and buildings with net carrying amounts of approximately RMB1,323,368,000 (2019: RMB2,012,494,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2020, included in hotel properties and land and buildings, there was a land and building with net carrying amounts of approximately RMB1,174,239,000 (2019: RMB1,174,190,000) located in Hong Kong and under medium-term lease (between 10 and 50 years), and the remaining balances of hotel properties and land and buildings of approximately RMB1,988,935,000 (2019: RMB2,176,888,000) was located in the PRC and under medium-term and long-term lease (more than 50 years).

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2020 RMB'000	2019 RMB'000
Cost of sales	**129,454**	97,654
Administrative expenses	**66,633**	92,037
	196,087	189,691

There was no impairment loss provided for the years ended 31 December 2020 and 2019.

16. RIGHT-OF-USE ASSETS

The amount in respect of leases are as follows:

	Motor vehicles RMB'000	**Office equipment RMB'000**	**Properties RMB'000**	**Total RMB'000**
At 1 January 2019	275	870	798,022	799,167
Additions	1,536	70	740,624	742,230
Depreciation for the year (note 7)	(818)	(354)	(181,709)	(182,881)
At 31 December 2019 and 1 January 2020	**993**	**586**	**1,356,937**	**1,358,516**
Additions	**818**	**74**	**130,545**	**131,437**
Transfer	**–**	**–**	**(682,986)**	**(682,986)**
Deemed disposals of subsidiaries (note 42(b))	**–**	**–**	**(48,981)**	**(48,981)**
Disposals of subsidiaries (note 42(a))	**–**	**–**	**(89,116)**	**(89,116)**
Depreciation for the year (note 7)	**(1,111)**	**(227)**	**(130,539)**	**(131,877)**
At 31 December 2020	**700**	**433**	**535,860**	**536,993**

The right-of-use assets represented leases of motor vehicles, office equipment, properties (staff quarters, offices and etc.) in Hong Kong and the PRC. The leases typically run for an initial period of 1 to 20 (2019: 1 to 20) years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2019	23,515,000	12,415,000	35,930,000
Additions	770,046	356,475	1,126,521
Disposals	–	(459,940)	(459,940)
Disposals of subsidiaries (note 42(a))	–	(557,000)	(557,000)
Deemed disposals of subsidiaries (note 42(b))	(560,000)	(349,000)	(909,000)
Increase/(Decrease) in fair value (note 6)	505,954	(327,535)	178,419
Transfer upon completion	(3,720,000)	3,720,000	–
At 31 December 2019 and 1 January 2020	**20,511,000**	**14,798,000**	**35,309,000**
Additions	**1,328,967**	**–**	**1,328,967**
Disposals	**–**	**(160,000)**	**(160,000)**
Deemed disposals of subsidiaries (note 42(b))	**–**	**(2,143,000)**	**(2,143,000)**
Increase/(Decrease) in fair value (note 6)	**319,033**	**(129,600)**	**189,433**
Transfer upon completion	**(2,275,000)**	**2,275,000**	**–**
At 31 December 2020	**19,884,000**	**14,640,400**	**34,524,400**

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2020 RMB'000	2019 RMB'000
Rental income (note 6)	**543,704**	455,728
Direct operating expenses arising from investment properties that generate rental income	**217,334**	97,561

17. INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least semi-annually. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management, audit committee and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each of half year-end, the management:

- verifies major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2020		2019	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**3.0%-6.5%**	**6.5%**	3.0%-6.5%	6.5%
Expected vacancy rate	**0%-5%**	**N/A**	0%-5%	N/A
Monthly rental	**RMB113-621 per sq.m.**	**RMB2,330 per unit**	RMB21-594 per sq.m.	RMB2,300 per unit

Capitalisation and discount rates are estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

Fair value measurements using significant unobservable inputs (Continued)

Significant inputs used to determine fair value (Continued)

	2020 RMB'000	2019 RMB'000
Term yield and revisionary yield	**4.35% – 4.75%**	4.35% – 4.75%
Budgeted construction cost to be incurred (RMB/sq.m.)	**242 – 5,124**	312 – 6,078
Anticipated developer's profit margin	**10% – 20%**	10% – 20%

The higher the term yield and revisionary yield, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the estimated costs to be incurred, the lower the fair value. The higher the anticipated developer's profit margin, the higher the fair value.

As at 31 December 2020 and 2019, the fair value measurement of the Group's investment properties is categorised at level 3. During the years ended 31 December 2020 and 2019, there were no transfers into or out of level 3.

The Group's investment properties are analysed as follows:

	2020 RMB'000	2019 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**32,249,400**	33,042,000
Leases of over 50 years	**2,275,000**	2,267,000
	34,524,400	35,309,000

As at 31 December 2020, the investment properties amounting to RMB13,665,400,000 (2019: RMB20,198,000,000) were pledged as collateral for the Group's borrowings (note 31).

18. LAND USE RIGHTS

	2020 RMB'000	2019 RMB'000
At 1 January	**753,493**	669,078
Addition	**38,355**	–
Acquisitions of subsidiaries (note 41(b))	**–**	13,600
Disposals of subsidiaries (note 42(a))	**(52,236)**	(30,358)
Transfer from properties under development (note 22)	**–**	119,331
Depreciation – expensed in administrative expenses (note 7)	**(20,367)**	(18,158)
Exchange realignment	**1,668**	–
At 31 December	**720,913**	753,493
In PRC, held on:		
Leases of over 50 years	**60,603**	21,812
Leases of between 10-50 years	**660,310**	731,681
At 31 December	**720,913**	753,493

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel properties, self-use buildings and self-operating properties over fixed periods. The prepaid lease payments for the land use rights meet the definition of right-of-use assets in accordance with HKFRS 16.

As at 31 December 2020, land use rights with net carrying amounts totalling RMB495,989,000 (2019: RMB557,991,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2020, the provision for impairment loss of land use rights amounted to RMB20,461,000 (2019: RMB20,461,000).

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2020 RMB'000	2019 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**4,204,258**	4,204,258
– Unlisted	**9,770,984**	7,594,921
Share of post-acquisition (loss)/profit and other comprehensive (loss)/profit, net of dividend received	**(157,902)**	119,610
	13,817,340	11,918,789
Fair value of listed investments	**4,490,625**	2,732,836

During the year ended 31 December 2020, the Group entered into a cooperation agreement with an independent third party to set up a company, namely Guangzhou Rongjia Corporate Management Co., Ltd. ("Rongjia") and Nanjing Zhengye Property Development Co., Ltd. ("Nanjing Zhengye") (2019: Fuzhou Jinpeng Sheng Tian Property Development Co., Ltd. ("Fuzhou Jinpeng") to obtain a development project for redevelopment. The Group injected capital of RMB1,960,000,000 and RMB806,105,000 (2019: RMB2,499,000,000) respectively. The Group had 49% and 49% (2019: 49%) equity interest in Rongjia and Nanjing Zhengye (2019: Fuzhou Jinpeng) respectively.

On 5 October 2020, the Group completed a private placement (the "Private Placement") by the subscription of 16,051,219 shares of Nam Tai Property Limited ("Nam Tai") at par value of US$9.15 each by cash injection amounted to approximate US$146 million (equivalent to approximately RMB1,014.3 million). However, subsequently the Private Placement was voided by a court order and the cash injection amounted to approximately RMB1,014.3 million was classified as amounts due from associates included in other receivables as at 31 December 2020.

During the year ended 31 December 2020, the Group acquired additional interests in certain associates from other independent shareholders or through capital injection amounting to RMB265,754,000 in aggregate. Upon completion the acquisitions, the associates became subsidiaries of the Group with remeasurement losses on the investments in associates of RMB40,718,000 and transferred to subsidiaries in amount of RMB233,728,000 (note 41(c)).

During the year ended 31 December 2020, the Group disposed of an associate to an independent third party through disposals of subsidiaries at the consideration of RMB1. Upon completion of the disposal, the Group recognised the gain on disposal in amount of approximately RMB9,535,000.

In 2019, the Group filed a claim to the court against the substantial shareholder of an associate, Xing Huo Ju Long Technology Investment Co., Ltd. ("Xing Huo") that the shareholder agreement signed in the acquisition of Xing Huo in 2010 was invalid and entitled to claim back the consideration paid by the Group including the cash consideration and eight shops located in Luowo district in Shenzhen. In the opinion of the directors, the Group could not exercise significant influence and derecognise Xing Huo from the investments in associates. A loss on derecognition of interest in an associate of RMB252,016,000 (note 8) was recognised for the year ended 31 December 2019.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (continued)

As at 31 December 2020, the fair value of the Group's interests in associates Nam Tai, Kaisa JiaYun Technology Inc. ("JiaYun Technology") and Southern Shuanglin Bio-pharmacy Co., Ltd. ("Shuanglin Bio-pharmacy"), which are listed in the New York Stock Exchange, Shenzhen Stock Exchange and Shenzhen Stock Exchange was RMB357,613,000, RMB657,198,000 and RMB3,475,814,000 (2019: RMB551,463,000, RMB546,313,000 and RMB1,635,060,000) respectively based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

As at 31 December 2020 and 31 December 2019, 101,419,425 (2019: 101,419,425) and 53,552,975 (2019: 50,621,064) shares of JiaYun Technology and Shuanglin Bio-pharmacy were pledged as collateral for the Group's borrowings (note 31).

Set out below are details of associates of the Group as at 31 December 2020 and 2019 which, in the opinion of the directors, are material to the Group:

Name of entity	Place of business/ country of incorporation	Particular of issued and paid up capital	Proportion of the issued capital/ interest held by the Group	Principal activity
Fuzhou Jinpeng	the PRC	RMB50,000,000 (2019: RMB50,000,000)	49.0% (2019: 49.0%)	Property development
JiaYun Technology	the PRC	RMB634,555,224 (2019: RMB634,555,224)	21.31% (2019: 21.31%)	Internet marketing
Nam Tai (note i)	BVI	US$265,476 (2019: US$260,681)	23.90% (2019: 23.79%)	Property development and management
Shuanglin Bio-pharmacy	the PRC	RMB492,434,666 (2019: RMB272,577,599	18.57% (2019: 18.57%)	Research, development, production and sales of blood products
Fuzhou Xin De Yuan Property Development Co., Ltd. ("Xin De Yuan")	the PRC	RMB50,000,000 (2019: RMB50,000,000)	49.0% (2019: 49.0%)	Property development
Rongjia	the PRC	RMB10,000,000 (2019: nil)	49.0% (2019: nil)	Corporate management service, marketing advisory

Note:

i. There was exercise of approximately 556,000 (2019: 445,000) share options of Nam Tai during the year ended 31 December 2020. The number of shares of Nam Tai increased approximately from 38,632,000 shares to 39,198,000 shares (2019: 38,187,000 shares to 38,632,000 shares). Accordingly, the Group's equity interest in Nam Tai is 23.90% (2019: 23.79%) at 31 December 2020.

* The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Fuzhou Jinpeng, Jia Yun Technology, Nam Tai, Shuanglin Bio-pharmacy, Xin De Yuan and Rongjia for the year/period since acquisition/capital injection, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Fuzhou Jinpeng, Jia Yun Technology, Nam Tai, Shuanglin Bio-pharmacy, Xin De Yuan and Rongjia at the completion dates of the acquisitions by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	Fuzhou Jinpeng 2020 RMB'000	JiaYun Technology 2020 RMB'000	Nam Tai 2020 RMB'000	Shuanglin Bio-pharmacy 2020 RMB'000	Xin De Yuan 2020 RMB'000	Rongjia 2020 RMB'000
Current assets	5,098,737	1,811,394	6,326,153	832,673	3,199,601	4,000,000
Non-current assets	–	437,836	1,440,606	2,170,681	–	–
Current liabilities	(20)	(1,191,375)	(3,028,566)	(427,746)	(13)	–
Non-current liabilities	–	(50,694)	(874,800)	(283,648)	–	–
Net assets	5,098,717	1,007,161	3,863,393	2,291,960	3,199,588	4,000,000
Reconciliation to the Group's interest in the associates:						
Proportion of the Group's ownership	49.00%	21.31%	23.90%	18.57%	49.00%	49.00%
Carrying amount of the investment	2,498,371	214,626	923,351	425,617	1,567,798	1,960,000
Goodwill	–	819,085	–	1,733,875	–	–
Carrying amount of the Group's investment	2,498,371	1,033,711	923,351	2,159,492	1,567,798	1,960,000
Revenue for the year/period since capital injection	–	3,279,324	491,003	915,472	–	–
Total expenses for the year/period since capital injection	(3)	(3,488,508)	(290,751)	(1,142,996)	(1)	–
Income tax (expense)/credit for the year/period since capital injection	–	(46,827)	(36,966)	7,917	–	–
(Loss)/profit for the year/period since capital injection	(3)	(256,011)	163,792	(219,607)	(1)	–
Other comprehensive income for the year/period since capital injection	–	–	91,816	–	–	–
Total comprehensive (expense)/income for the year/period since capital injection	(3)	(256,011)	255,608	(219,607)	(1)	–

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

	Fuzhou Jinpeng 2019 RMB'000	JiaYun Technology 2019 RMB'000	Nam Tai 2019 RMB'000	Shuanglin Bio-pharmacy 2019 RMB'000	Xin De Yuan 2019 RMB'000
Current assets	5,098,740	2,006,707	4,431,800	832,673	3,199,602
Non-current assets	–	708,873	1,409,077	2,425,123	–
Current liabilities	(20)	(1,388,686)	(798,380)	(427,746)	(13)
Non-current liabilities	–	(63,722)	(1,434,712)	(318,483)	–
Net assets	5,098,720	1,263,172	3,607,785	2,511,567	3,199,589
Reconciliation to the Group's interest in the associates:					
Proportion of the Group's ownership	49.00%	21.31%	23.79%	18.57%	49.00%
Carrying amount of the investment	2,498,373	269,182	858,292	466,398	1,567,799
Goodwill	–	819,085	–	1,733,875	–
Carrying amount of the Group's investment	2,498,373	1,088,267	858,292	2,200,273	1,567,799
Revenue for the year/period since acquisition/capital injection	–	5,531,811	20,696	457,967	–
Total expenses for the year/period since acquisition/capital injection	(1,275)	(5,487,467)	(76,307)	(489,531)	(406)
Income tax (expense)/credit for the year/period since acquisition/capital injection	–	(34,533)	10,782	20,713	–
(Loss)/profit for the year/period since acquisition/capital injection	(1,275)	9,811	(44,829)	(10,851)	(406)
Other comprehensive income/(expense) for the year/period since acquisition/capital injection	–	7	(22)	–	–
Total comprehensive (expense)/income for the year/period since acquisition/capital injection	(625)	2,092	(10,670)	(2,015)	(199)

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates profit for the year/period since acquisitions/capital injection	**11,437**	104,036
Aggregate carrying amounts of the Group's interests in these associates	**3,674,617**	3,705,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2020 RMB'000	2019 RMB'000
At 1 January	**14,092,325**	8,677,152
Additions (note)	**89,334**	12,720
Transfer from subsidiaries (note 42(a) and 42(b))	**1,662,805**	3,224,328
Transfer to subsidiaries	**(157,554)**	–
Capital injection to joint venture (note)	**2,661,861**	2,375,822
Share of results of joint ventures	**37,595**	(197,697)
At 31 December	**18,386,366**	14,092,325

Note:

During the year ended 31 December 2020, the Group entered into agreements with independent third parties to set up 50% interest in Yan You Limited ("Yan You") amounting to RMB1,472,804,000 and acquire five (2019: two) immaterial joint ventures in aggregate amount of RMB89,334,000 (2019: RMB12,720,000). The Group also entered into an agreement with the other investor to inject capital into a joint venture, Guangdong Jiahong Property Development Co., Ltd.* ("Jiahong"). The Group contributed RMB280,500,000 to Jiahong during the year ended 31 December 2020.

During the year ended 31 December 2019, the Group entered into an agreement with the other investor to inject capital into a joint venture, Guangdong Jiasheng Property Development Co., Ltd.* ("Jiasheng"). The Group contributed RMB2,225,806,000 to the joint venture and four immaterial joint ventures in aggregate amounts of RMB150,016,000. During the year ended 31 December 2020, the Group further injected RMB883,857,000 to Jiasheng and the Group injected two immaterial joint ventures in aggregate amounts of RMB24,700,000.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Set out below are details of joint ventures of the Group as at 31 December 2020 and 2019 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Particular of issued and paid up capital	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	RMB40,000,000 (2019: RMB40,000,000)	51% (2019: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	RMB10,000,000 (2019: RMB10,000,000)	70% (2019: 50%)	Property leasing and development
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奐旅遊開發有限公司"), Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司"), Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展項目")	the PRC	RMB50,000,000 (2019: RMB50,000,000) RMB50,000,000 (2019: RMB50,000,000) RMB50,000,000 (2019: RMB50,000,000)	51% (2019: 51%)	Property development
Jiasheng	the PRC	RMB560,000,000 (2019: RMB560,000,000)	55% (2019: 55%)	Property development
Shenzhen Nanshan Kaisa Zhiye Property Development Co. Ltd.* ("Nanshan Kaisa") 深圳市南山佳兆業置業發展有限公司	the PRC	RMB83,333,333 (2019: RMB50,000,000)	60% (2019: 60%)	Property development
Yan You 彥佑	BVI	HK$390,000 (2019: HK$390,000)	50% (2019: nil)	Property development

* The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

In accordance with the joint arrangement, the decisions about relevant activities in the above entities require unanimous consent of the parties sharing control, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

The Group has not incurred any contingent liabilities by other commitments relating to its investment in joint venture as at 31 December 2020 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

The following table illustrates of the summarised financial information in respect of Kaileju, Nantian, JVs for Dapeng Xiasha Development Project, Jiasheng, Nanshan Kaisa and Yan You for the year/period, and has been adjusted to reflect the fair values of identifiable assets and liabilities as at the completion dates of acquisitions by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	Kaileju 2020 RMB'000	Nantian 2020 RMB'000	JVs for Dapeng Xiasha Development Project 2020 RMB'000	Jiasheng 2020 RMB'000	Nanshan Kaisa 2020 RMB'000	Yan You 2020 RMB'000
Current assets	5,843,184	6,366,886	10,997,008	10,658,344	3,492,370	10,261,906
Non-current assets	307	17	11,535,746	800	16	–
Current liabilities	(3,206,701)	(1,371,810)	(6,440,922)	(1,123,161)	(795,433)	(7,309,158)
Non-current liabilities	(919,900)	(3,000,000)	(7,074,950)	(3,375,000)	–	–
Net assets/(liabilities)	1,716,890	1,995,093	9,016,882	6,160,983	2,696,953	2,952,748
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	768,528	4,473	35,303	1,227,098	34	18,023
Non-current financial liabilities (excluding trade and other payables and provision)	(919,900)	(3,000,000)	(5,323,700)	(3,375,000)	–	(4,507,004)
Current financial liabilities (excluding trade and other payables and provision)	(2,394,239)	(817)	–	–	–	(2,800,000)
Reconciliation to the Group's interest in the joint ventures						
Proportion to the Group's ownership	51.0%	70.0%	51.0%	55.0%	60.0%	50.0%
Carrying amount of the Group's investment	875,614	1,396,565	4,598,610	3,388,541	1,618,172	1,476,374
Revenue	1,246,156	3,580	60	6,423	–	–
Profit/(loss) and total comprehensive income/(expense) for the year/period since acquisition to obtain joint control	54,163	797	376,237	(34,968)	(15)	(7,179)
The above profit/loss for the year/period since capital injection to obtain joint control including the following:						
Interest expenses	–	–	–	–	–	–
Depreciation	–	–	–	–	–	–
Income tax expenses	83,993	–	–	–	–	–

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

	Kaileju 2019 RMB'000	Nantian 2019 RMB'000	JVs for Dapeng Xiasha Development Project 2019 RMB'000	Jiasheng 2019 RMB'000	Nanshan Kaisa 2019 RMB'000
Current assets	4,962,192	5,929,678	6,079,317	7,051,119	2,800,428
Non-current assets	651	47,139	11,038,248	1,280,883	25
Current liabilities	(2,620,116)	(3,184,516)	(2,842,420)	(893,064)	(103,485)
Non-current liabilities	(680,000)	(118)	(5,634,500)	(2,850,000)	–
Net assets	1,662,727	2,792,183	8,640,645	4,588,938	2,696,968
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	873,461	1,763	2,466	61,184	13
Non-current financial liabilities (excluding trade and other payables and provision)	(680,000)	–	(5,634,500)	(2,850,000)	–
Current financial liabilities (excluding trade and other payables and provision)	(2,222,977)	(1,153)	–	–	–
Reconciliation to the Group's interest in the joint ventures					
Proportion to the Group's ownership	51.0%	50.0%	51.0%	55.0%	60.0%
Carrying amount of the Group's investment	847,991	1,396,092	4,406,729	2,523,916	1,618,181
Revenue	8,767	14,334	1,072	10,158	–
Loss and total comprehensive expense for the year/period since capital injection to obtain joint control	(119,678)	(17,216)	(75,063)	(21,320)	(7)
The above loss for the year/period since capital injection to obtain joint control including the following:					
Interest expenses	31,259	11,175	–	–	–
Depreciation	–	209	1,311	–	–
Income tax expenses	14,156	11	362,000	–	–

Set out below are the aggregate financial information of joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
The Group's share of loss for the year/period since acquisition/capital injection to obtain joint control	**(159,636)**	(78,041)
Carrying amount of the Group's interest in these joint ventures	**5,032,490**	3,299,416

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2020 RMB'000	2019 RMB'000
Listed securities:		
Equity securities – in Hong Kong (note i)	**1,968,533**	–
Equity securities – outside Hong Kong (note i)	**283,455**	258,114
Debt securities – outside Hong Kong (note i)	**169,130**	–
Unlisted securities:		
Equity securities – outside Hong Kong (note ii)	**5,534,052**	7,521,077
Debt securities – outside Hong Kong (note iii)	**2,752,330**	71,200
At 31 December	**10,707,500**	7,850,391
Less: non-current portion	**(5,369,151)**	(7,807,357)
Current portion	**5,338,349**	43,034

The fair value of the Group's investments in listed and unlisted securities has been measured as note 4.3.

Note:

i. The fair value measurement of such investments are classified as level 1 fair value measurement which are based on the quoted price from active markets. For the year ended 31 December 2020, the Group has recognised a net fair value gain of RMB98,616,000 (2019: net fair value loss of RMB81,442,000) in respect of the fair value change in profit or loss.

ii. The unlisted equity securities mainly represented the Group's investments in (i) an unlisted equity engaged in financial service business amounting to RMB5,039,794,000 (2019: RMB5,771,728,000), (ii) unlisted equity funds which invested in class A participating shares, health care business and etc amounting to RMB311,242,000 (2019: RMB1,502,788,000) and (iii) other unlisted investments in private enterprises amounting to RMB183,016,000 (2019: RMB246,561,000). The Group has recognised a fair value loss of RMB731,934,000 (2019: gain of RMB1,458,603,000) in respect of the fair value changes in the profit or loss.

iii. It represented the unlisted corporates' convertible bonds. The Group has recognised a net fair value gain of RMB326,136,000 (2019: RMB3,770,000) in respect of the fair value changes in the profit or loss.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at and 31 December 2020 and 31 December 2019.

21. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Cost								
At 1 January 2019	332,379	529,339	23,609	59,700	8,440	497,400	7,895	1,458,762
Acquisition of subsidiaries (note 41(b))	516,701	–	288,032	51,399	–	–	–	856,132
Additions	–	319,210	–	–	–	–	–	319,210
Written off	–	(27,430)	–	–	–	–	–	(27,430)
At 31 December 2019 and 1 January 2020	**849,080**	**821,119**	**311,641**	**111,099**	**8,440**	**497,400**	**7,895**	**2,606,674**
Additions	**–**	**304,138**	**8,718**	**–**	**1,186**	**–**	**–**	**314,042**
Acquisition of subsidiaries (note 41)	**24,378**	**–**	**–**	**14,690**	**4,232**	**–**	**–**	**43,300**
At 31 December 2020	**873,458**	**1,125,257**	**320,359**	**125,789**	**13,858**	**497,400**	**7,895**	**2,964,016**
Accumulated amortisation								
At 1 January 2019	–	294,469	2,126	8,408	2,344	44,811	1,316	353,474
Amortisation – expensed in administrative expenses (notes 7)	–	251,021	31,781	12,114	2,344	44,811	819	342,890
Impairment charged for the year (note 8)	203,931	–	19,348	42,483	3,752	407,778	–	677,292
Written off	–	(5,200)	–	–	–	–	–	(5,200)
At 31 December 2019 and 1 January 2020	**203,931**	**540,290**	**53,255**	**63,005**	**8,440**	**497,400**	**2,135**	**1,368,456**
Amortisation – expensed in administrative expenses (notes 7)	**–**	**268,126**	**31,562**	**13,231**	**3,383**	**–**	**2,853**	**319,155**
At 31 December 2020	**203,931**	**808,416**	**84,817**	**76,236**	**11,823**	**497,400**	**4,988**	**1,687,611**
Net carrying amounts								
At 31 December 2020	**669,527**	**316,841**	**235,542**	**49,553**	**2,035**	**–**	**2,907**	**1,276,405**
At 31 December 2019	645,149	280,829	258,386	48,094	–	–	5,760	1,238,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS (Continued)

Notes:

(a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke"), (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia"), (iv) Shanghai Yitao Sports Culture Communication Co., Ltd.* (上海毅濤體育文化傳播有限公司) and its subsidiary (collectively referred to as "Shanghai Yitao Group"), (v) Shenzhen Football Co., Ltd. ("Shenzhen Football Club"), (vi) Qinghai Pharmaceutical Co., Ltd.* ("Qinghai Pharmaceutical"), (vii) Jiaxing Dashu Property Management Company Limited* and its subsidiaries ("Jiaxing Dashu Group"), (viii) Jiangsu Hengyuan Property Management Company Limited* and its subsidiary ("Jiangsu Hengyuan Group") and (ix) Ningbo Langtong Property Service Company Limited* (寧波朗通物業服務有限公司) ("Ningbo Langtong").

For the purpose of impairment testing, goodwill has been allocated to eight cash-generating units ("CGUs") of RMB121,493,000 (2019: RMB121,493,000) in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 (2019: RMB286,000) in cinema operations included in cinema, department store and cultural centre operations segments, RMB473,857,000 (2019: RMB473,857,000) in health care operations, RMB2,462,000 (2019: RMB2,462,000) in financial service operations included in other segment and RMB71,429,000 (2019: RMB47,051,000) in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 5-year (2019: 5-year) period and assumed the growth rate and inflation rate of 38.4% (2019: 25.7%) per annum and 3% (2019: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2019: 12%) and reflects specifics risks relating to the relevant segments. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2020, the Directors of the Company conducted a review on goodwill relating to sports operation and no impairment loss in respect of goodwill has been recognised (2019: nil).

In relation to Kaisa Health Group, the recoverable amount of the CGU is determined based on fair value less costs of disposal by using the income approach (discounted cash flow method). The calculation uses cash flow projections derived from the financial budgets approved by the management covering a 5-year period with an average growth rate of 35.5% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A pre-tax discount rate of 25.6% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. During the year ended 31 December 2019, the directors of the Company reviewed the carrying amounts of CGUs and identified that the recoverable amounts of CGUs, were less than their carrying amounts of assets of CGUs. Accordingly, the carrying amounts of the goodwill and the intangible assets were reduced to their recoverable amounts and impairment loss of approximately RMB203,931,000 and RMB473,361,000 respectively had been recognised in the profit or loss for the year ended 31 December 2019.

In relation to Qinghai Pharmaceutical, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses the five-year cash flow projections based on financial budgets approved by the management with an average growth rate of 25% (2019: 20%) per annum. Cash flows beyond the five-year period are extrapolated using 5% (2019: 3%) growth rate. A pre-tax discount rate of 27.29% (2019: 18.01%) is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As at 31 December 2020, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised.

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 5 (2019: 1 to 5) years.

(c) The trademarks and patent, customer relationship and distribution network were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 (2019: 5 to 11) years.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

22. PROPERTIES UNDER DEVELOPMENT

	2020 RMB'000	2019 RMB'000
Amount comprises:		
Construction costs	**18,840,846**	14,905,213
Interest capitalised	**17,026,583**	12,268,356
Land use rights	**37,817,304**	36,804,009
	73,684,733	63,977,578
Less: Provisions for properties under development	**(2,316,790)**	(302,832)
	71,367,943	63,674,746

The properties under development were located in the PRC and Hong Kong and are stated at cost.

During the year ended 31 December 2019, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB779,329,000 (note 15) and RMB119,331,000 (note 18) were transferred to property, plant and equipment and land use rights respectively.

For the year ended 31 December 2020, properties under development of RMB1,939,983,000 (2019: RMB1,700,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for properties under development of RMB338,493,000 (2019: RMB66,781,000) in aggregate were transferred to the provision for completed properties held for sale (note 23).

As at 31 December 2020, the net aggregate amount of properties under development of approximately RMB44,926,104,000 (2019: RMB42,060,748,000) were pledged as collateral for the Group's borrowings (note 31).

23. COMPLETED PROPERTIES HELD FOR SALE

	2020 RMB'000	2019 RMB'000
Completed properties held for sale	**14,040,405**	14,200,506
Less: Provision for completed properties held for sale	**(1,003,837)**	(1,196,632)
Balance as at 31 December	**13,036,568**	13,003,874

The completed properties for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

For the year ended 31 December 2020, completed properties held for sale of RMB638,934,000 (2019: RMB366,037,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB338,493,000 (2019: RMB66,781,000) in aggregate were transferred from the provision for properties under development (note 22) during the year ended 31 December 2020.

As at 31 December 2020, the net aggregate amount of completed properties held for sale of approximately RMB5,196,679,000 (2019: RMB5,913,860,000) were pledged as collateral for the Group's borrowings (note 31).

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade debtors – net (note a)	**2,119,811**	1,273,050
Other receivables (note b)	**10,135,354**	7,559,364
Other deposits (note b)	**2,184,409**	2,172,369
Prepayments (note d)	**4,186,184**	4,106,237
Prepaid other taxes	**2,062,944**	2,873,176
Restricted deposit for borrowings from non-financial institution (note b)	**1,960,203**	1,960,203
Amounts due from associates (note b)	**4,682,216**	4,043,116
Amounts due from joint ventures (note b)	**18,488,370**	7,292,123
Amount due from non-controlling interests of subsidiaries (note b)	**4,596,915**	3,805,121
	48,296,595	33,811,709
Less: allowance for impairment (note c)	**(1,927,920)**	(1,069,694)
Deposits, prepayments and other receivables – net	**46,368,675**	32,742,015
Total debtors, deposits and other receivables – net	**48,488,486**	34,015,065
Less: non-current portion		
Other receivables (note b)	**(20,000)**	(553,500)
Non-current portion	**(20,000)**	(553,500)
Current portion	**48,468,486**	33,461,565

As at 31 December 2020 and 2019, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interests of subsidiaries approximate their fair values.

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade debtors mainly arise from sales of properties, provision of property management services, provision of construction and design services and provision of financial services. Trade debtors are settled in accordance with the terms stipulated respective in the property sale and purchase agreements or service agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2020 **RMB'000**	2019 RMB'000
Within 90 days	**1,411,610**	894,543
Over 90 days and within 180 days	**208,915**	37,554
Over 181 days and within 270 days	**186,823**	270,500
Over 271 days and within 365 days	**55,025**	22,999
Over 365 days	**315,438**	119,926
	2,177,811	1,345,522
Less: allowance for impairment (note c)	**(58,000)**	(72,472)
	2,119,811	1,273,050

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB58,000,000 (2019: RMB72,472,000) was made against the gross amount of trade receivables (note 4.1(ii)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers as at 31 December 2020 and 2019.

Included in the Group's trade debtors of RMB247,885,000 were due over 180 days and within 270 days as at 31 December 2019. The balances mainly represented receivables from sales of commercial and residential properties and property under development to independent third parties. These receivables were repayable within one month after the completion of certain legal documents, which were expected to be settled in the next year.

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) Details of deposits and other receivables are as follows:

	2020 RMB'000	2019 RMB'000
Other receivables (note i)	**10,135,354**	7,559,364
Other deposits (note ii)	**2,184,409**	2,172,369
Restricted deposit for borrowings from non-financial institution (note iii)	**1,960,203**	1,960,203
Amounts due from associates (note iv)	**4,682,216**	4,043,116
Amounts due from joint ventures (note iv)	**18,488,370**	7,292,123
Amount due from non-controlling interests of subsidiaries (note iv)	**4,596,915**	3,805,121
	42,047,467	26,832,296
Less: allowance for impairment (note c)	**(1,927,920)**	(1,069,694)
Deposits and other receivables – net	**40,119,547**	25,762,602

(i) These receivables mainly included interest receivables and amounts to be refunded by the government in relation to the land acquisition in the PRC and amounts due from former subsidiaries.

As at 31 December 2020, there are other receivables amounting to RMB246,010,000 (2019: RMB490,790,000) are unsecured, carry at interest rate ranging from 4.35% to 15.0% (2019: 12.0% to 15.0%) p.a. and repayable in 2021 (2019: 2020).

Included in other receivables, those which are repayable over 1 year amounting to RMB20,000,000 (2019: RMB553,500,000) are classified as non-current assets.

(ii) Details of other deposits are as follows:

	2020 RMB'000	2019 RMB'000
Deposits paid for acquisitions of subsidiaries	**–**	20,000
Deposit paid for acquisitions of land use rights for property development	**42,000**	500,000
Refundable deposit to redevelopment project partner	**618,188**	634,148
Other	**1,524,221**	1,018,221
	2,184,409	2,172,369

(iii) The amount represented non-interest bearing deposit restricted for borrowings from non-financial institution.

(iv) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current assets.

(v) The carrying amounts of the Group's receivables are mainly denominated in RMB and USD.

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(c) Impairment losses in respect of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) directly. The movement in the allowance for impairment of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) is disclosed in note 4.1(ii).

(d) Prepayments mainly represent prepayments for purchase of construction materials and services.

(e) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

25. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in RMB.

26. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

27. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2020, such guaranteed deposits amounted to RMB3,273,542,000 (2019: RMB2,877,310,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2020, the Group's cash of RMB2,306,573,000 (2019: RMB2,267,537,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 39) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2020, the Group's cash of RMB606,554,000 (2019: RMB832,582,000) was deposited in certain banks as guaranteed deposits for borrowings (note 31).

(d) As at 31 December 2020, the Group's cash of RMB62,219,000 (2019: RMB39,026,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

28. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Long-term bank deposits	**1,200,000**	1,600,000
Restricted cash (note 27)	**6,248,888**	6,016,455
Short-term bank deposits	**3,585,570**	2,536,724
Cash and bank balances	**36,078,762**	26,824,859
	47,113,220	36,978,038

Note:
The effective interest rates and maturities of bank deposits in the PRC are ranged from 1.55% to 3.85% (2019: 1.55% to 3.85%) per annum and from 1 month to 53 months (2019: 1 month to 53 months) as at 31 December 2020.

As at 31 December 2020, short-term bank deposits of RMB188,000,000 (2019: RMB200,000,000) were pledged as collateral for the Group's borrowings (note 31).

Long-term bank deposits, restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
Denominated in – RMB	**45,585,918**	33,958,455
Denominated in – HKD	**803,940**	342,984
Denominated in – USD	**706,328**	2,660,833
Denominated in – EUR	**17,034**	15,766
	47,113,220	36,978,038

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

29. CONTRACT LIABILITIES

The amount of RMB49,706,027,000 (2019: RMB39,388,659,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

The significant increase of contract liabilities as at 31 December 2020 is mainly due to the increase in the deposits, down payment and instalment received for sales of those properties that had obtained pre-sales permit but not yet available for occupation.

30. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Total minimum lease payments:		
Due within one year	**137,953**	241,716
Due in the second to fifth years	**309,437**	703,205
Due after the fifth years	**272,251**	1,045,943
	719,641	1,990,864
Future finance charges on leases liabilities	**(163,193)**	(604,565)
Present value of leases liabilities	**556,448**	1,386,299
Present value of minimum lease payments		
Due within one year	**103,208**	159,694
Due in the second to fifth years	**225,408**	450,364
Due after the fifth years	**227,832**	776,241
	556,448	1,386,299
Less:		
Portion due within one year included under current liabilities	**(103,208)**	(159,694)
Portion due after one year included under non-current liabilities	**453,240**	1,226,605

Note:

As at 31 December 2020, the weighted average lessee's incremental borrowing rate applied was 6.99% (2019: 5.94%).

During the year ended 31 December 2020, the total cash outflows for the leases and short-term leases and low-value assets are RMB203,021,000 (2019: RMB238,154,000).

30. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2020, the Group has entered into leases for motor vehicles, office equipment and properties.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particular
Motor vehicles	Right-of-use assets	24 (2019: 21)	1 to 2 years (2019: 1 to 2 years)	• Certain lease contracts contain an option to renew the lease for additional year after the end of the contract by giving one month notice to landlord before the end of the contract • Certain lease contracts contain an option to terminate the lease by giving liquidated damages • Leases subject to fixed payment/quarterly/ biannually/annually rental payment
Office equipment	Right-of-use assets	32 (2019: 49)	1 to 5 years (2019: 1 to 5 years)	• Certain contracts contain an option to terminate the lease by giving liquidated damages • Certain contracts contain an option to purchase the office equipment at the end of the lease term • Certain contracts contain additional variable lease payments depends on the usage during the contract period • Leases subject to monthly/quarterly/ biannually/annually rental payment
Properties (including warehouse, staff quarters, offices and etc)	Right-of-use assets	1,210 (2019: 1,105)	1 to 20 years (2019: 1 to 20 years)	• Certain leases contracts contain an option to renew the leases for additional one to three years after the end of contracts by giving one to six months' notice to landlord before the end of lease contracts • Certain leases contracts contain an option to purchase the properties at the end of lease term • Lease contracts subject to monthly/ quarterly/biannually/annually rental payment.
Land use rights	Land use rights	27 (2019: 26)	15 to 65 years (2019: 15 to 65 years)	Nil

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	Notes	2020 RMB'000	2019 RMB'000
Borrowings included in current liabilities:			
Senior Notes	(a)	**9,673,242**	3,663,743
Convertible Bonds	(b)	**663,398**	–
Bank borrowings – secured	(c)	**2,549,900**	19,263,692
Bank borrowings – unsecured	(c)	**3,687,274**	1,167,308
Other borrowings – secured	(c)	**1,934,150**	6,492,249
Other borrowings – unsecured	(c)	**4,452,478**	1,191,225
Loan from a related company	(d)	**108,781**	108,781
Loan from associate	(e)	**–**	5,000
		23,069,223	31,891,998
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**58,650,794**	52,755,120
Convertible Bonds	(b)	**–**	699,900
Bank borrowings – secured	(c)	**18,433,007**	17,243,728
Bank borrowings – unsecured	(c)	**6,901,865**	2,343,930
Other borrowings – secured	(c)	**8,314,733**	9,692,786
Other borrowings – unsecured	(c)	**6,101,337**	2,568,090
		98,401,736	85,303,554
Total borrowings		**121,470,959**	117,195,552

31. BORROWINGS (Continued)

Notes:

(a) Senior Notes

The Group has issued the following senior notes:

	Issue date	As at 1 January 2019	New issuance	Repurchase/ repayment	As at 31 December 2019 and 1 January 2020	New issuance	Repurchase/ repayment	As at 31 December 2020	Issue price
Par value									
2019 12.0% Notes (US$'000)	14 December 2018	300,000	–	(300,000)	–	–	–	–	100% at face value
2020 7.25% Notes (US$'000)	30 June 2017 and 4 May 2018	790,000	–	(250,000)	**540,000**	–	**(540,000)**	–	100% at face value
2021 6.5% Notes tranche I (US$'000)	30 June 2017 and 8 December 2020	–	–	–	–	**250,000**	–	**250,000**	99.53% at face value
2021 6.5% Notes tranche II # (US$'000)	22 December 2020	–	–	–	–	**150,000**	–	**150,000**	100.915% at face value
2021 6.75% Notes (US$'000)	18 February 2020	–	–	–	–	**400,000**	**(225,704)**	**174,296**	100% at face value
2021 7.875% tranche I (US$' 000)	11 December 2018	575,000	–	(175,000)	**400,000**	–	–	**400,000**	100% at face value
2021 7.875% tranche II # (US$' 000)	9 June 2020	–	–	–	–	**300,000**	–	**300,000**	100% at face value
2021 11.75% Notes (US$'000)	26 February 2019	–	400,000	–	**400,000**	–	**(184,188)**	**215,812**	99.567% at face value
2022 8.5% Notes (US$'000)	30 June 2017	1,147,000	–	–	**1,147,000**	–	–	**1,147,000**	100% at face value
2022 11.25% Notes – tranche I (US$'000)	9 April 2019	–	350,000	–	**350,000**	–	–	**350,000**	99.69% at face value
2022 11.25% Notes – tranche II * (US$'000)	2 July 2019	–	200,000	–	**200,000**	–	–	**200,000**	102.926% at face value
2022 11.95% Notes – tranche I (US$'000)	22 October 2019	–	400,000	–	**400,000**	–	–	**400,000**	99.265% at face value
2022 11.95% Notes – tranche II ** (US$'000)	1 November 2019	–	200,000	–	**200,000**	–	–	**200,000**	100.790% at face value
2023 9.75% Notes (US$' 000)	16 July 2020	–	–	–	–	**400,000**	–	**400,000**	99.266% at face value
2023 10.875% Notes – tranche I (US$'000)	23 July 2019	–	300,000	–	**300,000**	–	–	**300,000**	99.604% at face value
2023 10.875% Notes – tranche II *** (US$'000)	13 November 2019	–	150,000	–	**150,000**	–	–	**150,000**	96.6825% at face value
2023 11.5% Notes – tranche I (US$'000)	30 May 2019	–	400,000	–	**400,000**	–	–	**400,000**	99.567% at face value
2023 11.5% Notes – tranche II **** (US$'000)	24 June 2019	–	300,000	–	**300,000**	–	–	**300,000**	100.79% at face value
2023 11.95% Notes – tranche I (US$'000)	12 November 2019	–	300,000	–	**300,000**	–	–	**300,000**	100.269% at face value
2023 11.95% Notes – tranche II (US$'000) ##	17 November 2020	–	–	–	–	**200,000**	–	**200,000**	103.5% at face value
2024 9.375% Notes (US$'000)	30 June 2017	3,051,500	–	–	**3,051,500**	–	–	**3,051,500**	100% at face value
2025 9.95% Notes (US$' 000)	23 January 2020	–	–	–	–	**300,000**	–	**300,000**	100% at face value
2025 10.5% Notes (US$' 000)	15 January 2020	–	–	–	–	**500,000**	–	**500,000**	100% at face value
2025 11.25% Notes – tranche I (US$' 000)	8 July 2020	–	–	–	–	**300,000**	–	**300,000**	98.994% at face value
2025 11.25% Notes – tranche II ### (US$' 000)	2 September 2020	–	–	–	–	**400,000**	–	**400,000**	101.64% at face value
Total (US$'000)		5,863,500	3,000,000	(725,000)	**8,138,500**	**3,200,000**	**(949,892)**	**10,388,608**	
Amortised cost (US$'000)		5,640,069			**7,943,372**			**10,471,278**	
Par value									
2019 6.1% Private Notes (HK$'000)		1,162,000	–	(1,162,000)	–	–	–	–	
Amortised cost (HK$'000)		1,161,773			–			–	
Total amortised cost (RMB'000)		39,726,866			**56,418,863**			**68,324,036**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

* 2022 11.25% Notes – tranche II was consolidated and form a single series with the 2022 11.25% Notes – tranche I.

** 2022 11.95% Notes – tranche II was consolidated and form a single series with the 2022 11.95% Notes – tranche I.

*** 2023 10.875% Notes – tranche II was consolidated and form a single series with the 2023 10.875% Notes – tranche I.

**** 2023 11.5% Notes – tranche II was consolidated and form a single series with the 2023 11.5% Notes – tranche I.

2021 6.5% Notes – tranche II was consolidated and form a single series with the 2021 6.5% Notes – tranche I.

2021 7.875% Notes – tranche II was consolidated and form a single series with the 2021 7.875% Notes – tranche I.

2023 11.95% Notes – tranche II was consolidated and form a single series with the 2023 11.95% Notes – tranche I.

2025 11.25% Notes – tranche II was consolidated and form a single series with the 2025 11.25% Notes – tranche I.

All of above senior notes are listed on the Singapore Exchange Securities Trading Limited.

The major terms and conditions of the senior notes include early redemption options of the Group and the repurchase of the senior notes upon a change of control. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Group consider that the fair value of the above early redemption options was insignificant on initial recognition as at 31 December 2020 and 2019.

The senior notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

The movement of the Senior Notes is as follow:

	2020 RMB'000	2019 RMB'000
Carrying amount as at 1 January	**56,418,863**	39,726,866
Accrued interests (note 9)	**6,966,334**	5,062,042
Interests paid	**(5,959,591)**	(3,693,926)
Repurchase/repayment of Senior Notes	**(6,467,470)**	(6,087,357)
Senior Notes recognised	**22,016,058**	20,872,250
Transaction costs	**(208,034)**	(222,251)
Exchange difference	**(4,442,124)**	761,239
Carrying amount as at 31 December	**68,324,036**	56,418,863

During the year ended 31 December 2020, the Group repurchased 2020 7.25% Notes with a principal amount of US$27,000,000 (equivalent to approximately RMB191,146,000) and repaid the outstanding 2020 7.25% Notes with a principal amount of US$513,000,000 (equivalent to approximately RMB3,631,784,000). In additions, the Group further repurchased 2021 11.75% Notes with a principal amount of US$184,188,000 (equivalent to approximately RMB1,188,343,000) and the 2021 6.75% Notes with a principal amount of US$225,704,000 (equivalent to approximately RMB1,456,197,000). The repurchases are substantially different as the discounted present value of the revised cash flows using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liabilities by more than 10 per cent. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liabilities and the recognition of new financial liabilities. Therefore, the Group derecognised the original senior notes outstanding and recognised new senior notes measured at fair value as at the date of extinguishment. The difference between the carrying amount of the borrowings derecognised and the fair value of the new senior notes recognised amounting to approximately RMB5,403,000 (note 8) is recognised in profit or loss for the year ended 31 December 2020.

No other settlement agreement was entered by the Group during the year ended 31 December 2020.

During the year ended 31 December 2019, the Group repurchased US$250,000,000 of the 2020 7.25% Notes (equivalent to approximately RMB1,683,375,000), US$175,000,000 of the 2021 7.875% Notes (equivalent to approximately RMB1,351,400,000), and HK$1,162,000,000 of the 2019 6.1% Private Notes (equivalent to approximately RMB1,079,206,000), and repaid US$300,000,000 of the 2019 12.0% Notes (equivalent to approximately RMB1,973,376,000) resulted a gain on repurchase of senior notes of approximately RMB178,438,000. The repurchase did not constitute a substantial modification.

31. BORROWINGS (Continued)

Notes: (Continued)

(b) Convertible Bonds

On 14 January 2019, the Company issued 10.5% convertible bonds at an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB643,496,000) (the "Convertible Bonds") which will be matured on 14 July 2021 (the "Maturity Date"). The Convertible bonds are denominated in United States dollars and are secured by the shares of the Company and certain subsidiaries of the Group. The Convertible Bonds entitle the holders to convert them into ordinary shares of the Company at any time starting from 41 days after the date of issue of the Convertible Bonds to 10 days before the Maturity Date at a conversion price of HK$5 per share (translated into HK$ at a fixed rate of exchange equal to US$1.00: HK$7.83) subject to antidilutive adjustments. The conversion price of the Convertible Bonds was adjusted to HK$4.63 per share with effect from 5 December 2020, pursuant to the terms and conditions of the Convertible Bonds, as a result of the approval by the shareholders of an interim dividend of HK3.0 cents per share for the year ended 31 December 2020. Neither the Company nor the holders of the Convertible Bonds may demand early redemption. The terms of Convertible Bonds do not satisfy the "fixed for fixed" rule in HKFRS 9. The proceeds of the Convertible Bonds were allocated into two components, debt and financial derivative elements on initial recognition. The Convertible Bond bears interest at 10.5% per annum on the outstanding principal amount and would be payable semi-annually in arrears until the Convertible Bonds are converted or matured. As at 31 December 2020, there has been no conversion of the Convertible bonds. The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The Convertible Bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible Bonds into ordinary shares of the Company at the conversion price.

- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

The movement of the liability and embedded derivatives components of the Convertible Bonds for the year is set out below:

	Liability component RMB'000	**Embedded derivatives component** RMB'000 (note 33)	**Total** RMB'000
At the date of issuance	643,496	44,424	687,920
Transaction costs	(10,296)	(711)	(11,007)
Interest expense (note 9)	93,632	–	93,632
Interest paid	(37,133)	–	(37,133)
Fair value changes	–	38,478	38,478
Exchange difference	10,201	616	10,817
At 31 December 2019 and 1 January 2020	**699,900**	**82,807**	**782,707**
Interest expense (note 9)	**91,476**	**–**	**91,476**
Interest paid	**(72,950)**	**–**	**(72,950)**
Fair value changes	**–**	**(52,838)**	**(52,838)**
Exchange difference	**(55,028)**	**(2,519)**	**(57,547)**
As at 31 December 2020	**663,398**	**27,450**	**690,848**

31. BORROWINGS (Continued)

Notes: (Continued)

(b) Convertible Bonds (Continued)

The major inputs used in the binomial models as at the reporting dates were as follows:

	At 31 December 2020	At 31 December 2019
Stock price	**HK$3.82**	HK$2.27
Conversion price	**HK$4.63 per share**	HK$4.82 per share
Time to maturity	**0.53 years**	1.54 years
Risk-free rate	**0.28%**	2.04%
Expected volatility	**43.85%**	50.84%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB31,231,790,000 (2019: RMB52,692,455,000) were secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sale, restricted cash and short-term bank deposits of the Group (notes 15, 17, 18, 22, 23, 27 and 28) and shares of certain of the Group's subsidiaries and associates.

The pledged assets for the Group's bank and other borrowings are as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment (note 15)	**1,323,368**	2,012,494
Investment properties (note 17)	**13,665,400**	20,198,000
Land use rights (note 18)	**495,989**	557,991
Properties under development (note 22)	**44,926,104**	42,060,748
Completed properties held for sale (note 23)	**5,196,679**	5,913,860
Short-term bank deposits (note 28)	**188,000**	200,000
Restricted cash (note 27)	**606,554**	832,582
	66,402,094	71,775,675

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2020 RMB'000	2019 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**35,076,224**	52,292,555
– guaranteed by the Company	**19,593,107**	4,335,481
	54,669,331	56,628,036

31. BORROWINGS (Continued)

Notes: (Continued)

(d) Loan from a related company

The amount due is unsecured, carries interest rate at 12% (2019: 12.0%) per annum and is repayable on demand. The related company is controlled by a substantial shareholder of the Company.

(e) Loan from associate

As at 31 December 2019, the amount due is unsecured, carries interest rates at 12.0% per annum and is repayable within one year.

(f) The weighted average effective interest rates at each of the reporting dates were as follows:

	2020	2019
	RMB'000	RMB'000
Bank borrowings, included in non-current liabilities	**6.5%**	7.0%
Bank borrowings, included in current liabilities	**7.2%**	6.6%
Other borrowings, included in non-current liabilities	**11.9%**	11.8%
Other borrowings, included in current liabilities	**11.1%**	10.7%
Loan from associate, included in current liabilities	**–**	12.0%
Loan from a related company, included in current liabilities	**12.0%**	12.0%
Senior Notes	**10.1%**	10.7%
Convertible Bonds	**13.5%**	13.5%

(g) The amounts of the Group's borrowings are denominated in RMB except for Senior Notes, Convertible Bonds and certain bank and other borrowings with aggregate amounts of RMB70,954,775,000 and RMB2,493,072,000 (2019: RMB58,827,932,000 and RMB1,265,318,000), which are denominated in US$ and HK$ respectively.

32. OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Other payables and accruals (note i)	**6,869,218**	6,127,111
Accrued interest	**1,075,778**	778,910
Accrued staff costs	**340,360**	347,694
Bills payables	**35,964**	735,712
Consideration payables related to acquisitions of subsidiaries	**1,122,530**	231,810
Consideration payables related to acquisitions of associate and joint venture	**721,841**	1,583,942
Consideration payables related to financial assets at FVTPL	**256,680**	687,454
Deed tax and other taxes payables	**1,771,163**	2,449,279
Deposits received	**358,242**	500,692
Amounts due to associates (note ii)	**1,526,789**	2,087,243
Amounts due to joint ventures (note ii)	**10,202,048**	11,011,816
Amounts due to non-controlling interests of subsidiaries (note ii)	**–**	479,907
	24,280,613	27,021,570
Less: non-current portion		
Consideration payable related to acquisition of a subsidiary	**(19,768)**	(10,248)
Current portion	**24,260,845**	27,011,322

Notes:

(i) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses, advance from third parties for operations, amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand and payables of cooperation parties.

Included in other payables and accruals, there were payables amounting to RMB1,200,000,000 secured by non-interest bearing deposit of US$289,355,000 (approximately equivalent to RMB1,960,203,000) (note 24). The remaining balances are interest-free, unsecured and repayable on demand.

(ii) The amounts due are unsecured, interest-free and repayable on demand.

(iii) The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Embedded financial derivatives of convertible bonds (note 31(b))	**27,450**	82,807

A valuation on the embedded derivatives of the convertible bonds has been performed by an independent qualified valuer at the date of issuance, 31 December 2019 and 2020, the binomial model is used in the valuation of the embedded financial derivatives. A fair value loss of RMB52,838,000 (2019: RMB82,191,000) was recognised in profit and loss for the year ended 31 December 2020.

34. DEFERRED INCOME TAX

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**628,380**	864,268
Deferred tax liabilities	**(4,523,386)**	(4,886,993)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(4,022,725)**	(3,694,253)
Acquisitions of subsidiaries (note 41(b))	**(592)**	(157,300)
Disposals of subsidiaries (note 42(a))	**(42)**	46,946
Deemed disposals of subsidiaries (note 42(b))	**289,139**	59,417
Recognised in profit or loss (note 10)	**(160,786)**	(277,535)
End of the year	**(3,895,006)**	(4,022,725)

34. DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets arose from:

	Temporary difference arising from debtors, deposits and other receivables RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2019	133,594	739,556	873,150
Acquisitions of subsidiaries (note 41(b))	–	1,190	1,190
Credited to profit or loss	136,387	663	137,050
At 31 December 2019 and 1 January 2020	**269,981**	**741,409**	**1,011,390**
Acquisitions of subsidiaries (note 41(b))	**–**	**133**	**133**
Disposals of subsidiaries (note 42(a))	**–**	**(42)**	**(42)**
Deemed disposals of subsidiaries (note 42(b))	**–**	**(61)**	**(61)**
Credited/(Charged) to profit or loss	**219,113**	**(409,337)**	**(190,224)**
At 31 December 2020	**489,094**	**332,102**	**821,196**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB10,682,738,000 (2019: RMB7,522,688,000) that can be carried forward against future taxable income. These tax losses will expiry from 2021 to 2025 (2019: 2020 to 2024).

34. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Fair value of financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2019	34,389	99,269	4,356,240	102,252	4,592,150
Acquisitions of subsidiaries (note 41(b))	–	158,490	–	–	158,490
Disposals of subsidiaries (note 42(a))	–	–	(46,946)	–	(46,946)
Deemed disposals of subsidiaries (note 42(b))	–	–	(59,417)	–	(59,417)
Charged to profit or loss	–	–	44,605	345,233	389,838
At 31 December 2019 and 1 January 2020	**34,389**	**257,759**	**4,294,482**	**447,485**	**5,034,115**
Acquisitions of subsidiaries (note 41(b))	**–**	**725**	**–**	**–**	**725**
Deemed disposals of subsidiaries (note 42(b))	**–**	**–**	**(289,200)**	**–**	**(289,200)**
Charged/(Credited) to profit or loss	**–**	**–**	**47,358**	**(76,796)**	**(29,438)**
At 31 December 2020	**34,389**	**258,484**	**4,052,640**	**370,689**	**4,716,202**

At 31 December 2020, the unrecognised deferred tax liabilities were RMB1,270,162,000 (2019: RMB1,205,465,000) relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2020 amounted to RMB25,403,247,000 (2019: RMB24,109,308,000).

35. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HK$0.10 each					
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2019	6,070,193,697	607,019	533,389	6,168,607	6,701,996
Issue of shares upon exercise of share options (notes (a) and 43(a))	16,673,000	1,667	1,455	22,598	24,053
Dividend paid (note 11)	–	–	–	(644,644)	(644,644)
At 31 December 2019 and 1 January 2020	**6,086,866,697**	**608,686**	**534,844**	**5,546,561**	**6,081,405**
Issue of shares upon exercise of share options (notes (a) and 43(a))	**46,111,000**	**4,611**	**4,098**	**121,590**	**125,688**
Dividend paid (note 11)	**–**	**–**	**–**	**(719,587)**	**(719,587)**
At 31 December 2020	**6,132,977,697**	**613,297**	**538,942**	**4,948,564**	**5,487,506**

Changes in the share capital of the Company during the years ended 31 December 2020 and 2019 are as follows:

(a) For the year ended 31 December 2020, 46,111,000 (2019: 16,673,000) shares were issued upon exercise of share options. Total proceeds were HK$104,297,000 (equivalent to approximately RMB92,532,000) (2019: HK$27,558,000 (equivalent to approximately RMB24,053,000)). The weighted average share price at the time of exercise was HK$2.267 (2019: HK$1.443) per share. The related transactions costs were deducted from the proceeds received.

36. PERPETUAL CAPITAL SECURITIES

On 30 September 2020, the Company issued 10.875% perpetual capital securities with an aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,361,519,000) (the "Securities") which are listed on Singapore Exchange Securities Trading Limited at an issue price of 100%. Transaction costs relating to the issue of the Securities amounted to approximately RMB11,465,000. Distribution is payable semi-annually in arrears in equal instalments on 30 March and 30 September of each year based on the distribution rate as defined in the subscription agreement. Distribution by the Company may be deferred at its sole discretion. The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Company's option on 30 September 2023, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower rank.

As the Securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32 "Financial Instruments: Presentation", they are classified as equity for accounting purpose. Any distributions made by the Company to the holders of the Securities will be deducted directly to equity in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserve RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	382	7,431	965,546	417,491	(478,917)	14,026,181	14,938,114
Profit for the year	–	–	–	–	–	4,594,265	4,594,265
Other comprehensive expense for the year	–	(15,449)	–	–	–	–	(15,449)
Total comprehensive (expense)/income for the year	–	(15,449)	–	–	–	4,594,265	4,578,816
Deemed disposal of a subsidiary without loss of control	–	–	–	–	(12,667)	–	(12,667)
Issue of shares upon exercise of share options	–	–	–	(9,282)	–	–	(9,282)
Share-based payments (note 43(a))	–	–	–	139,961	–	–	139,961
Share options lapsed	–	–	–	(74,225)	–	74,225	–
Transfer to statutory reserves	–	–	99,264	–	–	(99,264)	–
Balance at 31 December 2019 and 1 January 2020	**382**	**(8,018)**	**1,064,810**	**473,945**	**(491,584)**	**18,595,407**	**19,634,942**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**5,447,125**	**5,447,125**
Other comprehensive income for the year	**–**	**25,746**	**–**	**–**	**–**	**21,944**	**47,690**
Total comprehensive income for the year	**–**	**25,746**	**–**	**–**	**–**	**5,469,069**	**5,494,815**
Deemed disposals of subsidiaries	**–**	**–**	**(41,043)**	**–**	**–**	**41,043**	**–**
Deemed disposal of a subsidiary without loss of control	**–**	**–**	**–**	**–**	**286,583**	**–**	**286,583**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(33,156)**	**–**	**–**	**(33,156)**
Share-based payments (note 43(a))	**–**	**–**	**–**	**112,995**	**–**	**–**	**112,995**
Share options lapsed	**–**	**–**	**–**	**(193,236)**	**–**	**193,236**	**–**
Transfer to statutory reserves	**–**	**–**	**428**	**–**	**–**	**(428)**	**–**
Balance at 31 December 2020	**382**	**17,728**	**1,024,195**	**360,548**	**(205,001)**	**24,298,327**	**25,496,179**

37. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after netting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2020, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB428,000 (2019: RMB99,264,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 43).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional equity interest in subsidiaries.

38. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2020 RMB'000	2019 RMB'000
Profit for the year	**5,278,381**	4,164,008
Adjustments for:		
Income tax expenses (note 10)	**5,223,975**	5,303,595
Depreciation of property, plant and equipment (notes 7 and 15)	**196,087**	189,691
Depreciation of right-of-use assets (notes 7 and 16)	**131,877**	182,881
Depreciation of land use rights (notes 7 and 18)	**20,367**	18,158
Amortisation of intangible assets (notes 7 and 21)	**319,155**	342,890
Dividend income received from financial assets at FVTPL (note 8)	**(16,597)**	(30,966)
Fair value loss/(gain) of investment properties (note 17)	**(189,433)**	(178,419)
Fair value (gain)/loss of financial derivatives	**(52,838)**	82,191
Impairment loss on intangible assets (notes 8 and 21)	**–**	473,361
Impairment loss on goodwill (notes 8 and 21)	**–**	203,931
Interest income (note 9)	**(466,546)**	(580,269)
Interest expense (note 9)	**2,284,561**	798,774
Loss on disposal of property, plant and equipment (note a)	**6,768**	17,987
Loss on derecognition of interest in an associate (notes 8 and 19(a))	**–**	252,016
Loss on disposal of deposits paid for land acquisition (note 8)	**–**	40,753
Net exchange (gains)/losses	**(4,670,815)**	785,442
Net fair value (gain)/loss on financial assets at FVTPL (note 8)	**307,182**	(1,380,931)
Net loss/(gain) on repurchases of senior notes (notes 8 and 31(a))	**5,403**	(178,438)
Net loss on disposal of investment properties (note 8)	**–**	193,825
Net gain on disposals of subsidiaries (note 42(a))	**(774,075)**	(245,581)
Net gain on deemed disposals of subsidiaries (note 42(b))	**(816,560)**	(2,460,638)
Provision for ECL (notes 4.1 and 8)	**876,453**	478,070
Remeasurement losses resulting from associates and joint ventures (notes 8 and 41(c))	**192,272**	–
Share of results of associates	**44,756**	(92,619)
Share of results of joint ventures (note 19(b))	**(37,595)**	197,697
Share-based payments (note 43(a))	**112,995**	139,961
Write-down of completed properties held for sale and properties under development (note 8)	**2,578,917**	367,737
Written off of intangible assets (note 8)	**–**	22,230
Written off of debtors and other receivables (note 8)	**476,510**	275,251
Changes in working capital:		
Inventories	**(171,124)**	(33,986)
Properties under development and completed properties held for sale	**3,567,516**	4,510,385
Debtors, deposits and other receivables	**(17,091,428)**	(14,046,271)
Deposits for land acquisition	**1,609,991**	(966,713)
Prepayments for proposed development projects	**(1,345,919)**	(8,017,852)
Restricted cash	**(45,441)**	(1,578,759)
Contract liabilities	**7,647,422**	(3,157,249)
Accrued construction costs	**5,285,726**	4,676,550
Other payables	**8,506,053**	18,593,565
Cash generated from operations	**18,993,996**	9,362,258

38. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

Loss on disposal of property, plant and equipment are as follows:

	2020 RMB'000	2019 RMB'000
Net carrying value disposed (note 15)	**29,254**	48,192
Proceeds received	**(22,486)**	(30,205)
Loss on disposal of property, plant and equipment (note 8)	**6,768**	17,987

(b) Reconciliation of liabilities arising from financing activities

	2020		
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)	Lease liabilities RMB'000 (note 30)
As at 1 January 2020	**117,195,552**	**27,021,570**	**1,386,299**
Changes from financing cash flows:			
Increase in other payables	**–**	**742,107**	**–**
Decrease in amounts due to associates	**–**	**(560,454)**	**–**
Decrease in amounts due to joint ventures	**–**	**(809,768)**	**–**
Decrease in amounts due to non-controlling interests of subsidiaries	**–**	**(479,907)**	**–**
Proceeds from bank and other borrowings	**19,485,815**	**–**	**–**
Repayment of loans from associates	**(5,000)**	**–**	**–**
Net proceeds from issuance of senior notes (note 31(a))	**21,808,024**	**–**	**–**
Repayments of bank and other borrowings	**(20,293,142)**	**–**	**–**
Repayments of senior notes	**(3,631,784)**	**–**	**–**
Payments for repurchase of senior notes	**(2,841,089)**	**–**	**–**
Payment of lease liabilities	**–**	**–**	**(179,924)**
Total changes from financing cash flows	**131,718,376**	**25,913,548**	**1,206,375**
Non-cash changes			
– exchange differences	**(4,497,152)**	**–**	**–**
– finance expenses recognised (note 9)	**11,484,082**	**–**	**41,533**
Other changes (note)	**(11,806,478)**	**8,400,769**	**(551,549)**
Acquisitions of subsidiaries (note 41)	**1,358,066**	**2,151,925**	**–**
Disposals of subsidiaries (note 42(a))	**(1,877,699)**	**(8,574,975)**	**(88,986)**
Deemed disposals of subsidiaries (note 42(b))	**(4,908,236)**	**(3,610,654)**	**(50,925)**
As at 31 December 2020	**121,470,959**	**24,280,613**	**556,448**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	2019		
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)	Lease liabilities RMB'000 (note 30)
As at 1 January 2019	108,765,952	19,917,262	799,167
Changes from financing cash flows:			
Decrease in other payables	–	(1,730,072)	–
Increase in amounts due to associates	–	1,069,243	–
Increase in amounts due to joint ventures	–	962,641	–
Increase in amounts due to non-controlling interests of subsidiaries	–	162,976	–
Proceeds from bank and other borrowings	26,820,102	–	–
Proceeds from loans from associates	2,610,667	–	–
Repayment of loans from associates	(1,240,550)	–	–
Net proceeds from issuance of senior notes (note 31(a))	20,649,999	–	–
Net proceeds from issuance of convertible bonds (note 31(b))	633,200	–	–
Repayments of bank and other borrowings	(22,296,361)	–	–
Repayments of senior notes	(1,973,376)	–	–
Payments for repurchase of senior notes	(3,935,543)	–	–
Payment of lease liabilities	–	–	(226,776)
Total changes from financing cash flows	130,034,090	20,382,050	572,391
Non-cash changes			
– exchange differences	771,440	–	–
– finance expenses recognised (note 9)	10,804,891	–	71,678
Other changes (note)	(9,558,714)	16,490,493	742,230
Acquisitions of subsidiaries (note 41)	1,047,900	1,708,789	–
Disposals of subsidiaries (note 42(a))	(145,185)	(1,344,652)	–
Deemed disposals of subsidiaries (note 42(b))	(15,758,870)	(10,215,110)	–
As at 31 December 2019	117,195,552	27,021,570	1,386,299

Note:

Other changes mainly represented the interest capitalisation, loss/gain on repurchase of senior notes (note 31(a)), additions to new lease liabilities, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries, associates and joint ventures included in investing activities.

(c) Non-cash transactions

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flows.

During the year ended 31 December 2020, the Group entered into certain lease contracts in which additions of right-of-use assets and lease liabilities amounting to RMB131,437,000 (2019: RMB742,230,000) was recognised at the lease commencement date.

39. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2020 and 2019:

	2020 RMB'000	2019 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**27,272,582**	32,816,544

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

40. COMMITMENTS

(a) Commitments for property development expenditure, acquisitions of property, plant and equipment, acquisitions of subsidiaries, an associate and a joint venture

	2020 RMB'000	2019 RMB'000
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	**–**	69,257
– Acquisitions of land use rights and property development activities	**28,777,924**	34,429,933
– Acquisitions of subsidiaries	**107,706**	4,399,598
– Acquisition of an associate and a joint venture	**360,000**	560,000
	29,245,630	39,458,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. COMMITMENTS (Continued)

(b) Lease commitments

At the reporting date, the lease commitments for short-term leases and low-value assets leases are as follows:

	2020 RMB'000	2019 RMB'000
Not later than one year	**969**	6,441
Later than one year and not later than five years	**4**	–
	973	6,441

As at 31 December 2020, the Group leases staff quarters, offices and office equipment with a lease period of twelve months, which are qualified to be accounted for under low-value assets and short-term lease exemption under HKFRS 16.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**173,929**	211,320
After 1 year but within 2 years	**143,228**	182,619
After 2 years but within 3 years	**97,883**	135,328
After 3 years but within 4 years	**92,852**	93,231
After 4 years but within 5 years	**98,715**	69,385
After 5 years	**160,850**	182,316
	767,457	874,199

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of one to twenty-one (2019: one to twenty-one) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

41. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the year ended 31 December 2020, the Group entered into agreements with independent third parties to acquire certain property development companies at total consideration of RMB5,516,534,000. These companies did not operate any business prior to the acquisitions and only had properties under development. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of properties under development.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The aggregate balances of identifiable assets and liabilities arising from these acquisitions as at their respective acquisition date are as follows:

	2020 RMB'000
Property, plant and equipment	**4,336**
Properties under development	**6,676,285**
Debtors, deposits and other receivables	**322,924**
Prepaid taxes	**384**
Cash and bank balances	**181,542**
Contract liabilities	**(120,455)**
Accrued construction costs	**(215,473)**
Borrowings	**(873,453)**
Other payables	**(418,299)**
Total identifiable net assets	**5,557,791**
Less: non-controlling interests	**(41,257)**
Identifiable net assets acquired	**5,516,534**
Total purchase consideration	
– Settled in cash during the year	**4,413,772**
– Payable	**1,102,762**
	5,516,534
Purchase consideration settled in cash	**4,413,772**
Cash and bank balances in subsidiaries acquired	**(181,542)**
Cash outflow on acquisitions of subsidiaries	**4,232,230**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

During the year ended 31 December 2019, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB1,258,465,000. These companies did not operate any business prior to the acquisitions and only had property, plant and equipment, properties under development and prepayment for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of land and building in property, plant and equipment, properties under development and prepayment for proposed development projects.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The aggregate balances of identifiable assets and liabilities arising from these acquisitions as at their respective acquisition date are as follows:

	2019 RMB'000
Property, plant and equipment	863,574
Properties under development	760,925
Prepayment for proposed development projects	12,666
Debtors, deposits and other receivables	231,179
Cash and bank balances	8,008
Other payables	(610,227)
Total identifiable net assets	1,266,125
Less: non-controlling interests	(7,660)
Identifiable net assets acquired	1,258,465
Total purchase consideration	
– Settled in cash during the year	1,237,465
– Payable	21,000
	1,258,465
Purchase consideration settled in cash	1,237,465
Cash and bank balances in subsidiaries acquired	(8,008)
Cash outflow on acquisitions of subsidiaries	1,229,457

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses

Acquisition of Ningbo Langtong Property Service Company Limited* (寧波朗通物業服務有限公司) ("Ningbo Langtong") and Shanghai Zhongxin Architectural Design & Research Institute Co., Ltd.* (上海眾鑫建築設計研究院有限公司) and its subsidiaries ("Shanghai Zhongxin Group")

During the year ended 31 December 2020, the Group acquired 60% equity interest in Ningbo Langtong and 51% equity interest in Shanghai Zhongxin Group at total consideration of RMB27,000,000 and RMB20,856,000 respectively.

Ningbo Langtong is principally engaged in the provision of property management services to industry parks and commercial properties. Goodwill of RMB24,378,000 arose from expected future development of Ningbo Langtong's business and improvement on market coverage.

Shanghai Zhongxin Group is principally engaged in the provision of architectural design services. The acquisition of Shanghai Zhongxin Group is to diversify its business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for Ningbo Langtong and Shanghai Zhongxin Group, and the fair value of assets and liabilities assumed at the acquisition date.

	2020		
	Ningbo Langtong RMB'000	Shanghai Zhongxin Group RMB'000	Total RMB'000
Property, plant and equipment	**398**	**826**	**1,224**
Intangible assets	**2,900**	**–**	**2,900**
Deferred tax assets	**133**	**–**	**133**
Debtors, deposits and other receivables	**6,528**	**42,277**	**48,805**
Cash and bank balances	**525**	**4,232**	**4,757**
Contract liabilities	**–**	**(20)**	**(20)**
Income tax payable	**(640)**	**–**	**(640)**
Other payables	**(4,749)**	**(7,435)**	**(12,184)**
Deferred tax liabilities	**(725)**	**–**	**(725)**
Total identifiable net assets at fair value	**4,370**	**39,880**	**44,250**
Less: non-controlling interests	**(1,748)**	**(19,024)**	**(20,772)**
Identifiable net assets acquired	**2,622**	**20,856**	**23,478**
Goodwill (note 21)	**24,378**	**–**	**24,378**
Total purchase consideration	**27,000**	**20,856**	**47,856**
– Settled in cash during the year	**14,850**	**20,856**	**35,706**
– Payable	**12,150**	**–**	**12,150**
	27,000	**20,856**	**47,856**
Purchase consideration settled in cash	**14,850**	**20,856**	**35,706**
Cash and bank balances in subsidiaries acquired	**(525)**	**(4,232)**	**(4,757)**
Cash outflow on acquisitions of subsidiaries	**14,325**	**16,624**	**30,949**

Notes:

Ningbo Langtong and Shanghai Zhongxin Group contributed revenues of RMB89,245,000 and net profit of RMB24,799,000 to the Group for the period from acquisition to 31 December 2020. If the acquisitions had occurred on 1 January 2020, the Group's consolidated revenue and consolidated profit for the year would have been increased by RMB122,141,000 and decreased by RMB16,935,000 respectively.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Qinghai Pharmaceutical

During the year ended 31 December 2019, the Group entered into agreement with an independent third party to acquire 54.84% equity interests in Qinghai Pharmaceutical which is engaged in manufacturing and trading of pharmaceutical products to diversify their health care business at a consideration of RMB581,658,000. The directors of the Group were of the view that the acquisition constitutes acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Qinghai Pharmaceutical at the acquisition date.

	2019 RMB'000
Property, plant and equipment	88,030
Intangible assets	314,144
Land use rights	13,600
Deferred tax assets	260
Inventories	121,011
Debtors, deposits and other receivables	83,076
Cash and bank balances	23,037
Accrued construction costs	(450)
Income tax payable	(16,517)
Other payables	(56,439)
Deferred tax liabilities	(152,169)
Total identifiable net assets	417,583
Less: non-controlling interests	(309,782)
Identifiable net assets acquired	107,801
Goodwill (note 21)	473,857
Total purchase consideration	581,658
Purchase consideration settled in cash	581,658
Cash and bank balances in the subsidiary acquired	(23,037)
Cash outflow on acquisition of the subsidiary	558,621

Qinghai Pharmaceutical contributed revenues of approximately RMB238,179,000 and net profit of approximately RMB53,579,000 to the Group for the period from the acquisition date to 31 December 2019. Had Qinghai Pharmaceutical had contributed from 1 January 2019, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB70,247,000 and the increase in pro forma profit for the year by approximately RMB12,994,000.

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisitions of Jiaxing Dashu Group and Jiangsu Hengyuan Group

During the year ended 31 December 2019, the Group entered into agreements to acquire 60% equity interests in Jiaxing Dashu Group and 51% equity interests in Jiangsu Hengyuan Group, which are principally engaged in the business of property management including residential communities, offices and commercial buildings, government facilities and other non-residential projects. The directors were of the view that the acquisition constitutes acquisitions of businesses.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Jiaxing Dashu Group and Jiangsu Hengyuan Group at the acquisition date.

	2019		
	Jiaxing Dashu Group RMB'000	Jiangsu Hengyuan Group RMB'000	Total RMB'000
Property, plant and equipment	5,334	4,991	10,325
Intangible assets – customer relationship	12,287	13,000	25,287
Deferred tax assets	681	249	930
Debtors, deposits and other receivables	36,158	20,765	56,923
Cash and bank balances	16,896	2,346	19,242
Other payables	(30,110)	(15,879)	(45,989)
Contract liabilities	(7,873)	(1,936)	(9,809)
Income tax payables	(969)	(98)	(1,067)
Deferred tax liabilities	(3,071)	(3,250)	(6,321)
Total identifiable net assets at fair value	29,333	20,188	49,521
Less: non-controlling interests	(11,733)	(9,892)	(21,625)
Identifiable net assets acquired	17,600	10,296	27,896
Goodwill (note 21)	18,980	23,864	42,844
Total purchase consideration	36,580	34,160	70,740
– Settled in cash during the year	36,580	6,832	43,412
– Payable	–	27,328	27,328
	36,580	34,160	70,740
Purchase consideration settled in cash	36,580	6,832	43,412
Cash and bank balances in subsidiaries acquired	(16,896)	(2,346)	(19,242)
Cash outflow on acquisitions of subsidiaries	19,684	4,486	24,170

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisitions of Jiaxing Dashu Group and Jiangsu Hengyuan Group (Continued)

The Jiaxing Dashu Group contributed revenues of approximately RMB94,624,000 and net profit of approximately RMB5,084,000 to the Group for the period from the acquisition date to 31 December 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB37,530,000 and decreased by approximately RMB1,567,000 respectively.

The Jiangsu Hengyuan Group contributed revenues of approximately RMB14,300,000 and net profit of approximately RMB1,403,000 to the Group for the period from the acquisition date to 31 December 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB65,200,000 and decreased by approximately RMB1,812,000 respectively.

The consideration for the acquisition of Jiangsu Hengyuan Group of RMB34,160,000 is subject to downward adjustment of certain performance targets of the Jiangsu Hengyuan Group. With reference to the announcement of Kaisa Prosperity Holdings Limited ("Kaisa Prosperity") on 31 October 2019, the Group may, at its discretion, terminate the agreement or re-negotiate for a lower consideration with the vendors. However, the directors of the Group consider that the probability of not meeting these performance target is low.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of additional interests in subsidiaries

Acquisitions of additional interests in Lejie Electronic Products (Shenzhen) Co., Ltd.* ("Lejie"), Zhongshan Jiajun Real Estate Development Co., Ltd.* ("Zhongshan Jiajun") and Guangdong Meisi Real Estate Co., Ltd.* ("Guangdong Meisi")

During the year ended 31 December 2020, the Group entered into capital injection agreements and share transfer agreements to further acquire 12.0% equity interest in an associate, Lejie at the consideration of RMB39,239,000, 50.0% equity interest in an associate, Zhongshan Jiajun at the consideration of RMB8,000,000 and 70.003% equity interest in an associate, Guangdong Meisi at the consideration of RMB101,000,000.

Upon the capital injections to Lejie and Zhongshan Jiajun and share transfer to Guangdong Meisi, the Group becomes a holding company of these companies.

Lejie, Zhongshan Jiajun and Guangdong Meisi had properties under development, hence the Group considered this would be acquisitions of properties under development in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2020 RMB'000
Property, plant and equipment	**171**
Intangible assets	**1,332**
Properties under development	**3,612,033**
Debtors, deposits and other receivables	**2,263,921**
Prepaid tax	**51,848**
Cash and bank balances	**322,192**
Accrued construction costs	**(886,159)**
Borrowings	**(484,613)**
Other payables and contract liabilities	**(4,389,454)**
Total identifiable net assets at fair value	**491,271**
Less: non-controlling interests	**(181,529)**
	309,742
Satisfied by:	
Cash	**148,239**
Fair value of previously held equity interest in Lejie, Zhongshan Jiajun and Guangdong Meisi	**161,503**
	309,742
Cash	**148,239**
Cash and bank balances in subsidiaries acquired through capital injection	**(322,192)**
Net cash inflow on acquisitions of subsidiaries through capital injection	**(173,953)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of additional interests in subsidiaries (Continued)

Acquisitions of additional interests in Lejie Electronic Products (Shenzhen) Co., Ltd. * ("Lejie"), Zhongshan Jiajun Real Estate Development Co., Ltd. * ("Zhongshan Jiajun") and Guangdong Meisi Real Estate Co., Ltd. * ("Guangdong Meisi") (Continued)

Lejie, Zhongshan Jiajun and Guangdong Meisi contributed revenues of approximately RMB2,916,381,000 and net profit of approximately RMB181,322,000 to the Group for the period from the acquisition dates to 31 December 2020. If the acquisitions had occurred on 1 January 2020, the Group's consolidated profit for the year would have been decreased by approximately RMB52,630,000.

Accordingly, the Group remeasured its previously held equity interest in Lejie, Zhongshan Jiajun and Guangdong Meisi at its acquisition date fair value and recognised the resulting loss of RMB181,656,000 in the profit or loss in accordance with HKFRS 3 (Revised) "Business Combinations". The fair value of this previously held equity interest is then added to the sum of the consideration transferred in a business combination.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of additional interests in subsidiaries (Continued)

Acquisitions of additional interests in Kaisa Financial Group Company Limited ("Kaisa Financial Group"), Kaisa Asset Management Limited ("Kaisa Asset Management") and Kaisa Financial Group Limited ("Kaisa Financial")

During the year ended 31 December 2020, the Group entered into share transfer agreements to acquire 91% and 75% equity interest in associates, Kaisa Financial Group and Kaisa Asset Management at the consideration of RMB124,837,000 and RMB678,000 respectively, and newly acquire 100% equity interest in Kaisa Financial at the consideration of RMB32,834,000.

Upon the share transfer to Kaisa Financial Group and Kaisa Asset Management, the Group becomes a holding company of these companies.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2020 RMB'000
Intangible assets	**14,690**
Debtors, deposits and other receivables	**175,310**
Cash and bank balances	**94,042**
Other payables	**(125,693)**
Total identifiable net assets at fair value	**158,349**
Satisfied by:	
Cash	**148,591**
Fair value of previously held equity interest in Kaisa Financial Group and Kaisa Asset Management	**9,758**
	158,349
Cash	**148,591**
Cash and bank balances in subsidiaries acquired through capital injection	**(94,042)**
Net cash outflow on acquisitions of subsidiaries	**54,549**

Kaisa Financial Group, Kaisa Asset Management and Kaisa Financial contributed revenues of approximately RMB25,063,000 and net profit of approximately RMB19,460,000 to the Group for the period from the acquisition date to 31 December 2020. If the acquisitions had occurred on 1 January 2020, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB21,167,000 and RMB21,531,000 respectively.

Accordingly, the Group remeasured its previously held equity interest in Kaisa Financial Group, and Kaisa Asset Management at its acquisition date fair value and recognised the resulting loss of RMB10,616,000 in the profit or loss in accordance with HKFRS 3 (Revised) "Business Combinations". The fair value of this previously held equity interest is then added to the sum of the consideration transferred in a business combination.

41. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of additional interests in subsidiaries (Continued)

Acquisitions of additional interests in financial institutions (Continued)

During the year ended 31 December 2019, the Group entered into a cooperation agreement with an associate of the Group to acquire 90% direct equity interest in Guangzhou Yurui Real Estate Development Co., Ltd.* (Guangzhou Yurui") and its subsidiaries ("Guangzhou Yurui Group") at RMB18,000,000. The Group's effective equity interest in Guangzhou Yurui Group then increased from 49% to 94.90%.

Guangzhou Yurui entered into a cooperation agreement with Guangdong Kaisa that Guangzhou Yurui injected RMB306,000,000 to Guangzhou Yaxiang Real Estate Development Co., Ltd.* ("Guangzhou Yaxiang") to obtain 25% equity interest in Guangzhou Yaxiang. The Group's effective equity interest in Guangzhou Yaxiang then increased from 49% to 60.48%.

Upon the capital injections to Guangzhou Yurui and Guangzhou Yaxiang, the Group is entitled to appoint two directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all relevant financing and operating activities relating to daily investment activities for the investee by simple majority votes. Accordingly, Guangzhou Yurui Group and Guangzhou Yaxiang become subsidiaries of the Group.

Guangzhou Yurui Group and Guangzhou Yaxiang had properties under development and completed properties held for sale, hence the Group considered this would be acquisitions of properties under development and completed properties held for sale in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2019 RMB'000
Property, plant and equipment	266
Properties under development	4,457,216
Completed properties held for sale	5,145,066
Debtors, deposits and other receivables	812,560
Prepaid tax	143,127
Cash and bank balances	736,346
Borrowings	(1,047,900)
Accrued construction costs	(1,607,294)
Contract liabilities and other payables	(7,900,439)
Total identifiable net assets at fair value	738,948
Less: non-controlling interests	(738,948)
Capital injection	324,000
Cash and bank balances in subsidiaries acquired through capital injection	(736,346)
Net cash inflow on acquisitions of subsidiaries through capital injection	(412,346)

42. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES

(a) Disposals of subsidiaries

During the year ended 31 December 2020, the Group entered into cooperation agreements with a number of independent third parties for the disposals of certain subsidiaries for an aggregate consideration of RMB867,978,000. Upon the share transferred, the Group's equity interests in certain subsidiaries have been become from 100% to 47%, 40%, 30% and 0% respectively. These subsidiaries are engaged in cinema, department store and cultural centre operations, hotel operation, investment holding and holding property redevelopment projects, properties under development and completed properties held for sale. Upon the completion of disposals, these companies ceased to be subsidiaries of the Group and 47%, 40% and 30% equity interests held by the Group were then accounted for as joint ventures of the Group.

	2020 RMB'000
Net assets disposed of:	
Property, plant and equipment	**479,298**
Right-of-use assets	**89,116**
Investment in an associate	**100,000**
Land use rights	**52,236**
Deferred tax assets	**42**
Properties under development	**2,337,207**
Completed properties held for sale	**233,801**
Inventories	**11,102**
Debtors, deposits and other receivables	**3,269,074**
Prepaid tax	**3,880**
Cash and bank balances	**54,103**
Contract liabilities	**(15,263)**
Accrued construction costs	**(656,451)**
Income tax payable	**(45,043)**
Borrowings	**(1,877,699)**
Other payables	**(3,610,654)**
Leases liabilities	**(88,986)**
	335,763
Non-controlling interest	**1,747**
Net assets disposed of	**337,510**
Net gain on disposals of subsidiaries	**774,075**
	1,111,585
Satisfied by:	
Cash	**867,978**
Fair values of the 47%, 40% and 30% equity interests in joint ventures (note)	**243,607**
	1,111,585
Net cash outflow arising on disposal:	
Cash received	**867,978**
Cash and bank balances disposals of	**(54,103)**
	813,875

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The reminding interests held by the Group were remeasured at fair values at the date the Group lost control over these companies.

42. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES

(a) Disposals of subsidiaries (Continued)

During the year ended 31 December 2019, the Group entered into cooperation agreements with a number of independent third parties for the disposals of certain subsidiaries for an aggregate consideration of RMB305,906,000. Upon the share transferred, the Group's equity interests in certain subsidiaries have been become from 100% to 45%, 50%, 50% and 51% respectively. These subsidiaries are engaged in investment holding and holding property redevelopment projects, properties under development and completed properties held for sale. Upon the completion of disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group.

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	59,593
Investment properties	557,000
Land use rights	30,358
Properties under development	31,188
Completed properties held for sale	105,150
Prepayments for proposed development projects	791,328
Debtors, deposits and other receivables	507,287
Prepaid tax	56
Cash and bank balances	1,309
Contract liabilities	(11,800)
Accrued construction costs	(51,251)
Income tax payable	(134,534)
Borrowings	(145,185)
Other payables	(1,344,652)
Deferred tax liabilities	(46,946)
	348,901
Non-controlling interest	(9,968)
Net assets disposed of	338,933
Net gain on disposals of subsidiaries	245,581
	584,514
Satisfied by:	
Cash	305,906
Fair values of the 45%, 50%, 50% and 51% equity interests in joint ventures (note)	278,608
	584,514
Net cash outflow arising on disposal:	
Cash received	305,906
Cash and bank balances disposals of	(1,309)
	304,597

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The reminding interests held by the Group were remeasured at fair values at the date the Group lost control over these companies.

42. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries

During the year ended 31 December 2020, the Group entered into capital injection agreements with a number of independent third parties for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% owned subsidiaries to joint ventures. These subsidiaries were engaged in catering operation, property investment, investment holding and holding property redevelopment projects, properties under developments and completed properties held for sale.

Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in joint ventures.

The following table summarises the net assets of the subsidiaries disposed of during the current year and the financial impacts are summarised as follows:

	2020 RMB'000
Net assets disposed of:	
Property, plant and equipment	**19,620**
Right-of-use assets	**48,981**
Investment properties	**2,143,000**
Investments in associates	**506,557**
Deferred tax assets	**61**
Properties under development	**3,079,612**
Completed properties held for sale	**39,743**
Inventories	**3,543**
Prepayments for proposed development projects	**123,878**
Debtors, deposits and other receivables	**10,713,283**
Prepaid tax	**174,774**
Financial assets at fair value through profit or loss	**3,000**
Cash and bank balances	**726,153**
Contract liabilities	**(1,343,883)**
Accrued construction costs	**(1,631,134)**
Income tax payable	**(165,131)**
Leases liabilities	**(50,925)**
Borrowings	**(4,908,236)**
Other payables	**(8,574,975)**
Deferred tax liabilities	**(289,200)**
	618,721
Non-controlling interest	**(16,083)**
Net assets disposed of	**602,638**
Net gain on deemed disposals of subsidiaries	**816,560**
	1,419,198
Satisfied by:	
Fair values of the equity interests in joint ventures (note 19(b))	**1,419,198**
Net cash outflow arising on deemed disposals:	
Cash and bank balances disposals of	**(726,153)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries (Continued)

During the year ended 31 December 2019, the Group entered into capital injection agreements with a number of independent third parties for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% owned subsidiaries to joint ventures or associates. These subsidiaries were engaged in investment holding and holding property redevelopment projects properties under development, completed properties held for sale and deposits for land acquisition.

Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as associates and joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates and joint ventures.

The following table summarises the net assets of the subsidiaries disposed of during the current year and the financial impacts are summarised as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	62,736
Investment properties	909,000
Investment in an associate	167,160
Properties under development	14,813,388
Completed properties held for sale	930,746
Deposits for land acquisition	631,945
Prepayments for proposed development projects	2,537,925
Debtors, deposits and other receivables	12,747,090
Prepaid tax	26,658
Financial assets at fair value through profit or loss	28,656
Cash and bank balances	1,737,291
Contract liabilities	(3,559,273)
Accrued construction costs	(4,338,530)
Borrowings	(15,758,870)
Other payables	(10,215,110)
Deferred tax liabilities	(59,417)
	661,395
Non-controlling interest	(176,313)
Net assets disposed of	485,082
Net gain on deemed disposals of subsidiaries	2,460,638
	2,945,720
Satisfied by:	
Fair values of the equity interests in associates (note 19(a))	–#
Fair values of the equity interests in joint ventures (note 19(b))	2,945,720
	2,945,720
Net cash outflow arising on deemed disposals:	
Cash and bank balances disposals of	(1,737,291)

Amount less than RMB1,000

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

43. SHARE OPTION

(a) Share Option Scheme of the Company

Pursuant to the shareholders' resolution passed on 14 June 2019, a post-IPO share option scheme is terminated and the new share option scheme (the"Share Option Scheme") is conditionally adopted with effective from 14 June 2019. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2020		2019	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**3.464**	**435,053,000**	3.478	516,756,000
Granted during the year	**3.690**	**10,000,000**	3.243	52,000,000
Exercised during the year (note 35)	**2.267**	**(46,111,000)**	1.443	(16,673,000)
Cancelled/lapsed during the year	**4.502**	**(100,720,000)**	3.669	(117,030,000)
At 31 December	**3.307**	**298,222,000**	3.464	435,053,000

As at 31 December 2020, 171,822,000 (2019: 203,653,000) outstanding options granted under the Share Option Scheme were exercisable (note).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

Note: Terms of share options at the reporting date were as follows:

Exercised period	Vesting period	Exercise price per share HK$	Number of share options 2020	2019
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	**2,222,000**	5,350,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	**7,650,000**	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	**8,500,000**	8,500,000
23/7/2011-22/7/2020	23/7/2011-22/7/2011	2.000	**–**	2,100,000
23/7/2012-22/7/2020	23/7/2012-22/7/2012	2.000	**–**	2,300,000
23/7/2013-22/7/2020	23/7/2013-22/7/2013	2.000	**–**	2,900,000
23/7/2014-22/7/2020	23/7/2014-22/7/2014	2.000	**–**	3,540,000
23/7/2015-22/7/2020	23/7/2015-22/7/2015	2.000	**–**	6,020,000
6/6/2013-5/6/2022	6/6/2013-5/6/2014	1.500	**893,000**	3,784,000
6/6/2014-5/6/2022	6/6/2014-5/6/2015	1.500	**1,060,000**	4,031,000
6/6/2015-5/6/2022	6/6/2015-5/6/2016	1.500	**7,953,200**	11,277,000
6/6/2016-5/6/2022	6/6/2016-5/6/2017	1.500	**9,190,400**	12,279,000
6/6/2017-5/6/2022	6/6/2017-5/6/2018	1.500	**9,553,400**	12,722,000
19/7/2018-18/7/2027	19/7/2018-18/7/2019	3.550	**36,600,000**	49,400,000
19/7/2019-18/7/2027	19/7/2019-18/7/2020	3.550	**40,200,000**	49,400,000
19/7/2020-18/7/2027	19/7/2020-18/7/2021	3.550	**40,200,000**	49,400,000
19/7/2021-18/7/2027	19/7/2021-18/7/2022	3.550	**82,800,000**	98,800,000
22/9/2018-21/9/2027	22/9/2018-21/9/2019	6.660	**–**	4,000,000
22/9/2019-21/9/2027	22/9/2019-21/9/2020	6.660	**–**	4,000,000
22/9/2020-21/9/2027	22/9/2020-21/9/2021	6.660	**–**	4,000,000
22/9/2021-21/9/2027	22/9/2021-21/9/2022	6.660	**–**	8,000,000
29/11/2018-28/11/2027	29/11/2018-28/11/2019	4.370	**–**	5,600,000
29/11/2019-28/11/2027	29/11/2019-28/11/2020	4.370	**–**	5,600,000
29/11/2020-28/11/2027	29/11/2020-28/11/2021	4.370	**–**	5,600,000
29/11/2021-28/11/2027	29/11/2021-28/11/2022	4.370	**–**	11,200,000
12/6/2019-11/6/2028	12/6/2019-11/6/2020	4.370	**–**	2,600,000
12/6/2020-11/6/2028	12/6/2020-11/6/2021	4.370	**–**	2,600,000
12/6/2021-11/6/2028	12/6/2021-11/6/2022	4.370	**–**	2,600,000
12/6/2022-11/6/2028	12/6/2022-11/6/2023	4.370	**–**	5,200,000
24/1/2020-23/1/2029	24/1/2020-23/1/2021	2.380	**2,000,000**	2,000,000
24/1/2021-23/1/2029	24/1/2021-23/1/2022	2.380	**2,000,000**	2,000,000
24/1/2022-23/1/2029	24/1/2022-23/1/2023	2.380	**2,000,000**	2,000,000
24/1/2023-23/1/2029	24/1/2023-23/1/2024	2.380	**4,000,000**	4,000,000
12/4/2020-11/4/2029	12/4/2020-11/4/2021	3.700	**5,800,000**	6,800,000
12/4/2021-11/4/2029	12/4/2021-11/4/2022	3.700	**6,280,000**	6,800,000
12/4/2022-11/4/2029	12/4/2022-11/4/2023	3.700	**6,280,000**	6,800,000
12/4/2023-11/4/2029	12/4/2023-11/4/2024	3.700	**13,040,000**	13,600,000
4/11/2021-4/11/2030	4/11/2021-3/11/2022	3.690	**2,000,000**	–
4/11/2022-4/11/2030	4/11/2022-3/11/2023	3.690	**2,000,000**	–
4/11/2023-4/11/2030	4/11/2023-3/11/2024	3.690	**2,000,000**	–
4/11/2024-4/11/2030	4/11/2024-3/11/2025	3.690	**4,000,000**	–
			298,222,000	435,053,000

43. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant" and the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK$0.1 each in the capital of the Company.

On 3 April 2018, the Company offered to grant to one of the directors of the Company (the "April 2018 Grant") of 20,000,000 share options of HK$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "June 2018 Grant") of 43,000,000 shares options on 11 June 2018 of HK$0.1 each in the capital of the Company.

On 24 January 2019, the Company offered to grant to certain employees of the Company and its subsidiaries (the "January 2019 Grant") of 18,000,000 share options of HK$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "April 2019 Grant") of 34,000,000 share options on 12 April 2019 of HK$0.1 each in the capital of the Company.

On 4 November 2020, the Company offered to grant to an employee of the Company and its subsidiaries (the "November 2020 Grant") of 10,000,000 share options of HK$0.10 each in the capital of the Company.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant	January 2019 Grant	April 2019 Grant	November 2020 Grant
Fair value under binomial model (HK$'000)	142,362	198,688	8,514	2,592	543,168	68,887	61,987	37,218	77,023	17,677	51,857	13,298
Closing share price at grant date (HK$)	1.71	1.39	2.60	2.83	3.55	6.66	4.26	4.31	4.35	2.37	3.69	3.68
Exercise price (HK$)	2.00	1.50	2.61	2.84	3.55	6.66	4.37	4.32	4.37	2.38	3.70	3.69
Annual risk free interest rate	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.93%	2.49%	2.26%	0.91%
Expected volatility	40%	44%	45%	43%	42%	43%	44%	44%	44%	45%	46%	46%
Expected option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected divided yield	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%	2.5%	2.5%	3.46%

43. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB112,995,000 (2019: RMB139,961,000) during the year ended 31 December 2020.

(b) Share Option Scheme of Kaisa Health Group

Kaisa Health Group, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Kaisa Health's Scheme"). The Kaisa Health's Scheme was adopted pursuant to a special general meeting on 8 June 2015 for a period of 10 years as incentive or reward for the grantees for their contribution or potential contribution to Kaisa Health Group and its subsidiaries.

During the year ended 31 December 2020, a total of 148,000,000 options were granted, none of options were exercised and cancelled, and a total of 161,340,000 were forfeited/lapsed.

Under the Kaisa Health's Scheme, Kaisa Health Group may grant options to eligible participant which includes any full-time or part-time employees, consultants, potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of Kaisa Health Group or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the board of directors, will contribute or has contributed to Kaisa Health Group and/or any of its subsidiaries.

Share options granted to a director, chief executive or substantial shareholder of Kaisa Health Group, or to any of their associates, are subject to approval by the independent non-executive directors of Kaisa Health Group. In addition, any share options granted to a substantial shareholder or any independent non-executive director of Kaisa Health Group, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of Kaisa Health Group in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The exercisable period of the options granted are determined by the board of directors of Kaisa Health Group at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, Kaisa Health Group may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Kaisa Health's Scheme may not exceed, in aggregate, nominal amount of 10% of the issued share capital of Kaisa Health Group at the date of approval of the Kaisa Health's Scheme. The Kaisa Health's Scheme limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders' approval. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of Kaisa Health Group in issue from time to time.

43. SHARE OPTION (Continued)

(b) Share Option Scheme of Kaisa Health Group (Continued)

At 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the Kaisa Health's Scheme was 245,800,000 (2019: 259,140,000), representing 4.9% (2019: 5.1%) of the shares of the Kaisa Health Group Holdings Limited in issue at that date.

During the year ended 31 December 2020, options were granted on 22 July 2020 and the estimated fair values of the options granted on that date were HK$12,121,000.

The fair values of share options were calculated using binomial option pricing model based on following data:

	16 June 2015	24 July 2015	12 September 2016	22 July 2020
Share price at grant date (HK$)	0.780	0.690	0.350	0.144
Exercise price (HK$)	0.784	0.784	0.400	0.196
Expected volatility	73.49%	80.31%	76.75%	63.68%
Expected option life	5 years	5 years	6 years	10 years
Annual risk-free interest rate	1.296%	1.230%	0.713%	0.396%
Expected dividend yield	5.17%	4.62%	0.00%	0.00%
Early exercise multiples				
– Director and its associate	N/A	2.8x	2.8x	2.8x
– Employees or consultants	2.2x	N/A	2.2x	2.8x

The variables and assumptions used in computing the fair value of the share options were based on Kaisa Health Group's directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

Grant date	Date of grant	Vesting period	Exercisable period	Exercise price	Closing price of the securities immediately before the date on which the options were granted
2015A	16/6/2015	16/6/2015–15/6/2019	16/6/2016–15/6/2020	HK$0.784	HK$0.790
2015B	24/7/2015 (note i)	16/6/2015–15/6/2019	16/6/2016–15/6/2020	HK$0.784	HK$0.710
2016	12/9/2016	12/9/2016–15/6/2019	12/9/2017–11/9/2022	HK$0.400	HK$0.350
2020	22/7/2020 (note ii)	22/7/2020–21/7/2023	22/7/2020–21/7/2030	HK$0.196	HK$0.142

Notes:

(i) Share options subject to approval of independent shareholders was proposed and granted by board of directors on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which was the date of grant as defined in accordance with HKFRS 2.

(ii) Share options subject to approval of independent shareholders was proposed and granted by board of directors on 22 July 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. SHARE OPTION (Continued)

(b) Share Option Scheme of Kaisa Health Group (Continued)

A summary of the movements of the number of share options under the Kaisa Health's Scheme during the years is as follows:

Type of participant	Option type	Outstanding at 1 January 2019	Forfeited during the year ended 31 December 2019	Outstanding at 31 December 2019 and 1 January 2020	Forfeited/ Lapsed during the year ended 31 December 2020	Grant during the year ended 31 December 2020	Outstanding at 31 December 2020
Mr. Wu Tianyu	2015B	74,070,000	–	**74,070,000**	**(74,070,000)**	**–**	**–**
Ms. Jiang Sisi	2015B	74,070,000	–	**74,070,000**	**(74,070,000)**	**–**	**–**
Mr. Wu Tianyu	2016	38,000,000	–	**38,000,000**	**–**	**–**	**38,000,000**
Ms. Jiang Sisi	2016	38,000,000	–	**38,000,000**	**–**	**–**	**38,000,000**
Ms. Wu Ansheng (note)	2016	8,000,000	–	**8,000,000**	**–**	**–**	**8,000,000**
Employees	2015A	3,800,000	(800,000)	**3,000,000**	**(3,000,000)**	**–**	**–**
Employees	2016	23,500,000	(3,500,000)	**20,000,000**	**(6,200,000)**	**–**	**13,800,000**
Consultants	2015A	4,000,000	–	**4,000,000**	**(4,000,000)**	**–**	**–**
Mr. Zhang Huagang	2020	–	–	**–**	**–**	**50,000,000**	**50,000,000**
Mr. Luo Jun	2020	–	–	**–**	**–**	**40,000,000**	**40,000,000**
Mr. Wu Tianyu	2020	–	–	**–**	**–**	**20,000,000**	**20,000,000**
Dr. Liu Yanwen	2020	–	–	**–**	**–**	**6,000,000**	**6,000,000**
Mr. Fok Hei Yu	2020	–	–	**–**	**–**	**6,000,000**	**6,000,000**
Dr. Lyu Aiping	2020	–	–	**–**	**–**	**6,000,000**	**6,000,000**
Ms. Jiang Sisi	2020	–	–	**–**	**–**	**10,000,000**	**10,000,000**
Employee	2020	–	–	**–**	**–**	**10,000,000**	**10,000,000**
		263,440,000	(4,300,000)	**259,140,000**	**(161,340,000)**	**148,000,000**	**245,800,000**
Exercisable at the end of the year		177,055,000		**234,640,000**			**88,020,000**
Weighted average exercise price		HK$0.627	HK$0.471	**HK$0.630**	**HK$0.769**	**HK$0.196**	**HK$0.277**

Note: Ms. Wu Ansheng is the general manager and sales director of a subsidiary of Kaisa Health Group and a sister of Mr. Wu.

In the opinion of the directors, the fair value of the services received from consultants cannot be estimated reliably, the equity-settled share-based payment transactions with consultants are measured at the fair value of the equity instruments granted.

43. SHARE OPTION (Continued)

(c) Share Option Scheme of Kaisa Prosperity

Kaisa Prosperity, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Kaisa Prosperity's Scheme"). The Kaisa Prosperity's Scheme was adopted pursuant to the shareholders' resolution passed on 18 June 2019. Pursuant to the terms of the share option scheme, Kaisa Prosperity may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of Kaisa Prosperity and its subsidiaries, advisers, consultants, suppliers, agents and customers of any members of the Kaisa Prosperity). The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Kaisa Prosperity's Scheme or any other Kaisa Prosperity's Schemes adopted by Kaisa Prosperity must not exceed 30% of the Kaisa Prosperity's shares in issue from time to time.

No options may be granted under the Kaisa Prosperity's Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by Kaisa Prosperity at the time of the grant, and the options expire no later than 10 years from the relevant date of grant.

The exercise price of the option under the Kaisa Prosperity's Scheme shall be no less than the highest of (i) the official closing price of Kaisa Prosperity's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of Kaisa Prosperity's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of Kaisa Prosperity.

Details of the movement of the share options under Kaisa Prosperity Scheme are as follows:

	Weighted average exercise price in HK$ per share	Number
As at 1 January 2020	**15.7**	**11,450,000**
Lapsed during the year	**15.7**	**(850,000)**
As at 31 December 2020	**15.7**	**10,600,000**

43. SHARE OPTION (Continued)

(c) Share Option Scheme of Kaisa Prosperity (Continued)

On 19 July 2019, Kaisa Prosperity offered to grant to the directors of the Kaisa Prosperity and certain employees of Kaisa Prosperity and its subsidiaries (the "July 2019 Grant") of 2,750,000 and 8,700,000 share options respectively, of HK$0.1 each in the capital of Kaisa Prosperity. The closing price of the shares immediately before the date of grant was HK$15.36. The 8,700,000 share options granted to the employees and 2,750,000 share options granted to the directors of the Kaisa Prosperity have a fair value under the binomial model of HK$62,564,000 and HK$22,241,000, respectively.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2019 Grant
Fair value under binomial model	HK$84,805,000
Closing share price at grant date	HK$15.7
Exercise price	HK$15.7
Annual risk free interest rate	1.87%
Expected volatility	50.86%
Expected option life	10 years
Expected dividend yield	1.15%

Expected volatility was determined by using the historical volatility of Kaisa Prosperity's share price from the listing date to the grant date. The risk free interest rate is equal to HK$ swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

As at 31 December 2020, 2,120,000 of the outstanding options granted under the share option scheme were exercisable (2019: nil).

Note:

Terms of share options at the reporting date were as follows:

Exercise period	Exercise price per share HK$	Number of share options as at 31 December 2020
19/7/2020–18/7/2029	**15.70**	**2,120,000**
19/7/2021–18/7/2029	**15.70**	**2,120,000**
19/7/2022–18/7/2029	**15.70**	**2,120,000**
19/7/2023–18/7/2029	**15.70**	**4,240,000**
		10,600,000

Note: Such share options shall be vested in four tranches in accordance with the following dates: (i) up to 20% of the share options granted to each grantee at any time after the expiration of 12 months from the date of grant, i.e. 18 July 2020; (ii) up to 40% of the share options granted to each grantee at any time after the expiration of 24 months from the date of grant, i.e. 18 July 2021; (iii) up to 60% of the share options granted to each grantee at any time after the expiration of 36 months from the date of grant, i.e. 18 July 2022; and (iv) all the remaining share options granted to each grantee at any time after the expiration of 48 months from the date of grant. The shares options are exercisable within a period of ten years from the date of grant, i.e. 18 July 2029, subject to the vesting schedule.

44. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Financial assets at amortised cost		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**42,239,358**	27,035,652
Long-term bank deposits (note 28)	**1,200,000**	1,600,000
Restricted cash (note 27)	**6,248,888**	6,016,455
Short-term bank deposits (note 28)	**3,585,570**	2,536,724
Cash and bank balances (note 28)	**36,078,762**	26,824,859
	89,352,578	64,013,690
Financial assets at FVTPL		
Financial assets at FVTPL (note 20)	**10,707,500**	7,850,391

Liabilities as per consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Financial liabilities at amortised cost		
Accrued construction costs	**18,593,833**	14,494,060
Borrowings (note 31)	**121,470,959**	117,195,552
Other payables, excluding deed tax and other tax payables	**22,509,450**	24,572,291
Lease liabilities (note 30)	**556,448**	1,386,299
	163,130,690	157,648,202
Financial liabilities at FVTPL		
Derivative financial instruments (note 33)	**27,450**	82,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder

Mr. Kwok Ying Shing

A related company, a company controlled by a substantial shareholder of the Company

Shenzhen Fund Resources Investment Holding Limited* ("深圳市富德資源投資有限公司")

Associates

Dachang Hui Autonomous Country Jiatong Real Estate Development Co., Ltd.* ("大廠回族自治縣佳通房地產開發有限公司")
Lejie Electronic Products (Shenzhen) Co., Ltd.* ("樂捷電子產品（深圳）有限公司")
E zhou Liangtai Real Estate Co., Ltd.* ("鄂州梁泰地產有限公司")
Guan Kongqueting Real Estate Development Co., Ltd.* ("固安孔雀亭房地產開發有限公司")
Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as "Guangdong Mingjia Lianhe Mobile Technology Co., Ltd."*) ("廣東佳兆業佳雲科技股份有限公司，前稱廣東明家聯合移動科技股份有限公司")
Guangdong Meisi Real Estate Company Ltd.* ("廣東美思置業有限公司")
Guangdong Kaisa Property Development Co., Ltd.* ("廣東佳兆業房地產開發有限公司") and its subsidiaries
Hainan Free-Trade Zone Xiangruiyuan Real Estate Development Co., Ltd.* ("海南自貿區香瑞園房地產開發有限公司")
Hainan Hongan Co., Ltd.* ("海南弘安實業有限公司")
Kaisa United Assets Management (Beijing) Co., Ltd.* ("佳兆業聯合資產管理（北京）有限公司")
Kunming Runhe Real Estate Development Co., Ltd.* ("昆明潤合房地產開發有限公司")
Kaisa United Financial Group Holdings Limited* ("佳兆業聯合金融集團控股有限公司")
Nam Tai Property Inc.
Nanjing Zhengye Property Development Co., Ltd.* ("南京正業置業發展有限公司")
Sanya Baijia Century Real Estate Development Co., Ltd.* ("三亞佰佳世紀房地產開發有限公司")
Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Chanye Holding Co., Ltd.* (formerly known as "Shenzhen Shenxin Financial Holding Co., Ltd."*) ("深圳深信產業控股有限公司"前稱"深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Services Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳市深信資本管理有限公司")
Shenzhen Tianjia Industrial Development Co., Ltd.* ("深圳市天佳實業發展有限公司")
Southern Shuanglin Bio-pharmacy Co., Ltd.*) ("南方雙林生物製藥股份有限公司")
Shenzhen State Free Pengxing Tax Free Commodity Company Ltd.* ("深圳市國免鵬星免稅商品有限公司")
Shenzhen Kaisa Sanshun Industrial Development Co., Ltd.* ("深圳市佳兆業三順實業發展有限公司")
Shenzhen City Jingjia Urban Renewal Co., Ltd.* ("深圳市景佳城市更新有限公司")
Shenzhen Kaisa Property Redevelopment Company Limited* ("深圳市佳兆業城市更新服務集團有限公司")
Wuhan City Quan Hai Ji Xing Agricultural Products Logistics Co., Ltd.* ("武漢城市圈海吉星農產品物流有限公司")

45. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Joint ventures

Anhui Jiachuang Property Development Co., Ltd.* ("安徽佳創房地產開發有限公司")
Anshan Kaisa Business Management Co., Ltd.* ("鞍山佳兆業商業管理有限公司")
Beijing Dingtai Kaisa Property Development Co., Ltd.* ("北京鼎泰佳業房地產開發有限公司")
Beijing Chenzhou Jiayang Property Development Co., Ltd.* ("北京晨卓佳陽房地產開發有限公司")
Changsha Jiaxin Property Development Co., Ltd.* ("長沙市佳鑫房地產開發有限公司")
Chongqing Jiaye Xing Industrial Co., Ltd.* ("重慶興佳業實業有限公司") and its subsidiary
Chongqing Yusheng Industrial Co., Ltd.* ("重慶渝盛業實業有限公司") and its subsidiary
Chongqing Xinzhaoxin Industrial Co., Ltd.* ("重慶新兆鑫實業有限公司") and its subsidiary
Chongqing Yuzhao Industrial Co., Ltd.* ("重慶渝兆興實業有限公司")
Dailian Kaisa Commercial Management Co., Ltd.* ("大連市佳兆業商業經營管理有限公司")
Changshan Kaisa Logistic Co., Ltd.* ("長沙市佳兆業物流有限公司") and its subsidiaries
Dongguan Kaisa Industrial Development Co., Ltd.* ("東莞佳兆業實業有限公司")
Donguan Guifangyuan Property Co., Ltd.* ("東莞桂芳園房地產開發有限公司")
Dongguan Fenghong Property Development Co., Ltd.* ("東莞市豐弘房地產開發有限公司")
Dongguan Juanjing Property Development Co., Ltd.* ("東莞市雋璟房地產開發有限公司")
Foshanshi Jiahang Property Development Co., Ltd.* ("佛山市佳航房地產開發有限公司")
Foshanshi Fojia Property Development Co., Ltd.* ("佛山市佛佳房地產開發有限公司")
Guangzhou YeXing Investment Co., Ltd.* ("廣州市業興投資發展有限公司")
Guangzhou Nantian Company Limited* ("廣州南天商業大廣場建設發展有限公司")
Guangzhou Kaisa Commercial Management Co., Ltd.* ("廣州市佳兆業商業經營管理有限公司")
Guangdong Jiasheng Property Development Co., Ltd.* ("廣東佳盛房地產開發有限公司") and its subsidiary
Guangdong Jiahong Property Development Co., Ltd.* ("廣東佳紅房地產開發有限公司")
Hangzhou Gejun Zhiye Co., Ltd.* ("杭州格駿置業有限公司")
Huayaocheng (Luoyang) Development Co., Ltd.* ("華耀城（洛陽）發展有限公司")
Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")
Huizhou Kaisa Property Development Co., Ltd.* ("惠州市佳兆業房地產開發有限公司") and its subsidiaries
Hunan Mingtai Zhiye Development Company Ltd.* ("湖南明泰置業發展有限公司") and its subsidiary
Hangzhou Yijia Property Co., Ltd.* ("杭州億佳置業有限公司") and its subsidiaries
Henan Kaisa Real Estate Development Company Limited* ("河南省佳兆業房地產開發有限公司")
Jiayu Zhiye Company Limited* ("佳裕置業（東莞）有限公司")
Kaisa Technology Industrial (Shenzhen) Co., Ltd.* ("佳兆業科技產業（深圳）有限公司") and its subsidiaries
Kaisa Property (Wuhai) Co. Ltd.* ("佳兆業地產（武漢） 有限公司")
Kaisa Property (Shanghai) Co. Ltd.* ("佳兆業地產（上海）有限公司") and its subsidiaries
Kaisa Wewa Technology (Shenzhen) Limited Liabilities Co., Ltd.* ("佳兆業創享域科技（深圳）有限責任公司") and its subsidiaries
Kaisa Guo Cheng Management Consulting (Shenzhen) Co., Ltd.* ("佳兆業國承置業（深圳）有限公司")
Liaoning Huili Property Development Co., Ltd.* ("遼寧匯利房地產開發有限公司")
Nanjing Jiaqi Real Estate Development Co., Ltd.* ("南京佳期房地產開發有限公司")
Nanjing Hongjia Property Development Co., Ltd.* ("南京弘佳房地產開發有限公司")
Nanjing Kaisa Jiayu Real Estate Development Company Limited* ("南京佳兆業佳御房地產開發有限公司")
Pengpai Zhiye (Shenzhen) Co., Ltd.* ("澎湃置業（深圳）有限公司")
Shantou Jiasheng Property Development Co., Ltd.* ("汕頭市佳晟房地產開發有限公司")
Shanghai Hengwan Property Development Co., Ltd.* ("上海恒灣兆業置業發展有限公司")
Shenzhen Baoan Kaisa Real Estate Development Co., Ltd.* ("深圳市寶安佳兆業房地產開發有限公司")
Shenzhen Gongming Kaisa Property Development Company Limited* ("深圳市公明佳兆業置業發展有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Joint ventures (Continued)

Shenzhen Jinghao Co., Ltd.* ("深圳市景昊實業發展有限公司")
Shenzhen Ligao Property Development Company Limited* ("深圳力高宏業地產開發有限公司")
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奐旅遊開發有限公司")
Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司")
Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展專案")
Shenzhen Jiameixuan Catering Co., Ltd. ("深圳嘉美軒餐飲有限公司")
Shenzhen Qixiang Kaisa Industrial Development Co., Ltd.* ("深圳市祺祥佳兆業實業發展有限公司")
Shenzhen Kaisa Xinxiu City Geng Xin Co., Ltd.* ("深圳市佳兆業新秀城市更新有限公司")
Shenzhen Kaisa Zhiyuan Technology Co., Ltd.* ("深圳市佳兆業致遠科技有限公司")
Shenzhen Longhua Kaisa Property Development Company Limited* ("深圳市龍華佳兆業置業發展有限公司")
Shenzhen Mingyang Kaisa Development Co., Ltd.* ("深圳市銘揚佳兆業實業發展有限公司")
Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* ("深圳市天地同昌投資發展有限公司")
Shenlian Industrial (Shenzhen) Co., Ltd.* ("深聯實業(深圳)有限公司")
Shenzhen Kaisa Zhiyuan Consulting Management Co., Ltd.* ("深圳市佳兆業致遠投資諮詢有限公司")
Shenzhen Nanshan Kaisa Zhiye Property Development Co., Ltd.* ("深圳市南山佳兆業置業發展有限公司")
Shenzhen Number 1 Logistic Co., Ltd.* ("深圳一號倉物流園有限公司")
Shenzhen Bright Zhiyuan Industrial Development Co., Ltd.* ("深圳市明光致遠實業發展有限公司")
Shenzhen Futian Kaisa Investment Consulting Co., Ltd.* ("深圳市福田佳兆業投資諮詢有限公司")
Shemzhen Dazu Yunhai Property Development Co., Ltd.* ("深圳市大族雲海房地產開發有限公司")
Shenzhen Yaoyeyuan Development Co., Ltd.* ("深圳市耀業園置業發展有限公司")
Taoyuan Construction (Shenzhen) Co., Ltd.* ("桃源建設(深圳)有限公司") and its subsidiaries
Wuhan Kaisa Logistic Co., Ltd.* ("武漢市佳兆業物流有限公司") and its subsidiaries
Wunan Xiangyong Property Development Co., Ltd.* ("湖南湘永房地產開發有限公司")
Wunan Daye Property Development Co., Ltd.* ("湖南達業房地產開發有限公司")
Xinxiang Kaisa Real Estate Development Co., Ltd.* ("新鄉市佳兆業房地產開發有限公司")
Xiyu (Shenzhen) development Co., Ltd.* ("熙喻實業發展(深圳)有限公司")
Zhongshan Jiajun Property Development Co., Ltd.* ("中山市佳駿房地產開發有限公司") and its subsidiary
Zhongshan Taiying Property Development Co., Ltd.* ("中山市泰盈房地產開發有限公司")

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

(b) Key management compensation

	2020 RMB'000	2019 RMB'000
Directors' fee	**801**	795
Salaries and other short-term employee benefits	**146,822**	135,740
Discretionary bonuses	**3,066**	2,563
Retirement scheme contributions	**75**	488
Share-based payments	**29,210**	92,440
	179,974	232,026

45. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions

	Notes	2020 RMB'000	2019 RMB'000
Advertising income from an associate		**8,962**	4,245
Advertising income from joint ventures		**21,698**	–
Other income from associates		**43,009**	80,365
Other income from joint ventures		**402,937**	1,113
Property management fee income from associates		**33,531**	36,306
Property management fee income from joint ventures		**135,405**	67,058
Financial advisory fees charged by an associate		**14,003**	38,345
Interest income from associates (note 9)		**1,848**	3,337
Interest expense charged by an associate	i	**618**	241,471
Rental expenses charged by a controlling shareholder	ii	**1,140**	1,140

Notes:

(i) Interest expense was charged at interest rate of 12.0% (2019: 4.4% to 14.0%) per annum on loans from associates.

(ii) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2020 RMB'000	2019 RMB'000
Loans from associates (note 31(e))	**–**	(5,000)
Loan from a related company (note 31(d))	**108,781**	(108,781)
Other revenue receivable from associates – included in trade receivables	**112,417**	59,766
Other revenue receivable from joint ventures – included in trade receivables	**568,659**	29,499
Amounts due from associates (note 24)	**4,682,216**	4,043,116
Amounts due from joint ventures (note 24)	**18,488,370**	7,292,123
Amounts due to associates (note 32)	**(1,526,789)**	(2,087,243)
Amounts due to joint ventures (note 32)	**(10,202,048)**	(11,011,816)
Interest payable to a related company – included in accrued interest in other payables	**(235,535)**	(235,535)

46. EVENTS AFTER REPORTING PERIOD

(i) On 20 January 2021, the Company issued senior notes with a principal amount of US$300,000,000 (approximately RMB1,957,470,000) due 2023. The senior notes are interest-bearing at 10.875% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2023.

(ii) On 28 January 2021, the Company issued senior notes with a principal amount of US$200,000,000 (approximately RMB1,304,980,000) due 2025. The senior notes are interest-bearing at 9.95% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2025.

47. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2020

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investments in subsidiaries	**73,295,904**	58,788,957
Financial assets at fair value through profit or loss	**34,608**	97,690
	73,330,512	58,886,647
Current assets		
Financial assets at fair value through profit or loss	**1,273,834**	6,637
Deposits and other receivables	**2,155,672**	2,190,510
Cash and bank balances	**287,106**	2,201,098
	3,716,612	4,398,245
Current liabilities		
Borrowings	**10,662,339**	4,523,551
Other payables	**1,582**	623,280
Derivative financial instruments	**27,450**	82,807
	10,691,371	5,229,638
Net current liabilities	**(6,974,759)**	(831,393)
Total assets less current liabilities	**66,355,753**	58,055,254
Non-current liability		
Borrowings	**59,955,448**	53,998,950
Net assets	**6,400,305**	4,056,304
EQUITY		
Share capital (note 35)	**538,942**	534,844
Share premium (note 35)	**4,948,564**	5,546,561
Perpetual capital securities	**1,350,054**	–
Reserves (note (a))	**(437,255)**	(2,025,101)
Total equity	**6,400,305**	4,056,304

Approved and authorised for issue by the Board of Directors on 25 March 2021.

Kwok Ying Shing
Director

Mai Fan
Director

47. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	414,142	(2,180,630)	(1,766,488)
Loss and total comprehensive expense for the year	–	(317,334)	(317,334)
Issue of shares upon exercise of share options	(9,351)	–	(9,351)
Share-based payment	140,804	–	140,804
Share options lapsed	(72,732)	–	(72,732)
Balance at 31 December 2019 and 1 January 2020	**472,863**	**(2,497,964)**	**(2,025,101)**
Profit and total comprehensive income for the year	**–**	**1,708,044**	**1,708,044**
Issue of shares upon exercise of share options	**59,809**	**–**	**59,809**
Share-based payment	**(33,152)**	**–**	**(33,152)**
Share options lapsed	**(146,855)**	**–**	**(146,855)**
Balance at 31 December 2020	**352,665**	**(789,920)**	**(437,255)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	Limited liability company	HK$714,000,000	**100%**	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	the PRC, 26 March 2004	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	Limited liability company	RMB2,826,163,980	**100%**	100%	Property development
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	the PRC, 15 February 2004	Limited liability company	RMB640,000,000	**100%**	100%	Property development
Huizhou Canrong Property Ltd. 惠州燦榮房產有限公司	the PRC, 14 January 1994	Limited liability company	RMB35,926,506	**100%**	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	Limited liability company	HK$68,300,000	**100%**	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	Limited liability company	RMB144,653,000	**100%**	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd. 株洲佳兆業置業有限公司	the PRC, 13 January 2011	Limited liability company	RMB501,032,770	**0% (note i)**	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	Limited liability company	RMB850,000,000	**100%**	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	Limited liability company	HK$210,000,000	**100%**	100%	Property development
Zhuhai Kaisa Property Development Co., Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	Limited liability company	RMB518,000,000	**100%**	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	Limited liability company	RMB547,528,247	**50% (note ii)**	100%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Kaisa Tourism Development Co., Ltd. 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	Limited liability company	HK$93,600,000	**100%**	100%	Property development
Kaisa Property (Suizhong) Co., Ltd. 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	Limited liability company	HK$246,500,000	**100%**	100%	Property development
Shengxin Zhiye (Liaoyang) Co., Ltd.* (formerly as Kaisa Property (Liaoyang) Co., Ltd.) 盛欣置業(遼陽)有限公司，前稱佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	Limited liability company	RMB193,821,740	**0% (note iii)**	100%	Property development
Kaisa Xindu Zhiye (Qingdao) Co., Ltd. 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	Limited liability company	US$60,000,000	**100%**	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	Limited liability company	RMB98,040,000	**100%**	100%	Property development
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	Limited liability company	RMB310,000,000	**100%**	100%	Property development
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	Limited liability company	RMB1,000,000,000	**100%**	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	Limited liability company	RMB12,000,000	**100%**	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	Limited liability company	RMB202,500,000	**100%**	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	Limited liability company	RMB38,000,000	**100%**	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	Limited liability company	RMB1,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	Limited liability company	RMB10,000,000	**80%**	80%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	Limited liability company	RMB155,000,000	**100%**	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	Limited liability company	US$43,000,000	**0% (note i)**	100%	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市橫崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	Limited liability company	US$24,210,830	**100%**	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產(鞍山)有限公司	the PRC, 28 June 2011	Limited liability company	US$19,115,864	**100%**	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	Limited liability company	RMB25,000,000	**100%**	100%	Investment holding

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	Limited liability company	RMB20,000,000	**60%**	60%	Property development
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務(深圳)有限公司	the PRC, 24 February 2014	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Shenzhen No.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	Limited liability company	RMB10,000,000	**100%**	100%	Computer technology
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	Limited liability company	RMB30,000,000	**41.21% (note ii)**	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	Limited liability company	RMB21,000,000	**51%**	51%	Property development
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	Limited liability company	RMB100,000,000	**70%**	70%	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	Limited liability company	RMB30,000,000	**100%**	70%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2017	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	Limited liability company	RMB400,000,000	**100%**	100%	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2017	Limited liability company	RMB60,000,000	**0% (note iii)**	100%	Property development
Zhongshan Real Estate Development Co., Ltd. 中山富澤房地產開發有限公司	the PRC, 17 March 2015	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Hangzhou Jiaxin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2016	Limited liability company	RMB4,093,200	**100%**	100%	Property development
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2016	Limited liability company	RMB98,000,000	**51.0204% (note ii)**	100%	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	Limited liability company	RMB170,538,455	**100%**	100%	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	Limited liability company	RMB16,000,000	**51%**	51%	Property development
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	Limited liability company	RMB500,000,000	**100%**	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	Limited liability company	RMB204,680,000	**100%**	100%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	Limited liability company	RMB420,000,000	**100%**	100%	Property development
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	Limited liability company	RMB220,000,000	**100%**	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd. 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	Limited liability company	RMB100,000,000	**100%**	100%	Property development
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	Limited liability company	RMB1,000,000,000	**100%**	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	Limited liability company	RMB35,000,000	**100%**	100%	Investment holding
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Leisure Land Hotel Property Management Jiangyin Co., Ltd. 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	Limited liability company	RMB150,000,000	**0% (note iii)**	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	Limited liability company	RMB46,000,000	**100%**	100%	Property development
Jiangsu Kaisa Investment Co., Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	Limited liability company	RMB15,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Baoji Crafts (Shenzhen) Co., Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	Limited liability company	RMB877,725,000	**100%**	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	Limited liability company	RMB260,000,000	**100%**	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Dalian Kaisa Commerce Operation Management Co., Ltd. 大連市佳兆業商業經營管理有限公司	the PRC, 18 March 2011	Limited liability company	RMB120,000,000	**55.0454% (note ii)**	100%	Commerce management
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	the PRC, 19 April 2011	Limited liability company	RMB800,000,000	**100%**	100%	Property development
Kaisa Dai River East Property Development Co., Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shenzhen Yuefeng Investment Co., Ltd. 深圳市悅峰投資有限公司	the PRC, 25 April 2012	Limited liability company	RMB100,000,000	**100%**	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	Limited liability company	RMB918,370,000	**60.48%**	60.48% (note 41(c))	Property development
Taizhou Kaisa Jiangshan Property Development Co., Ltd. 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	Limited liability company	RMB50,000,000	**51%**	51%	Property development
Wuhan Kaisa Investment Co., Ltd. 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	Limited liability company	RMB250,000,000	**100%**	100%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Jiangyin Binjiangyayuan Property Development Co., Ltd 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	Limited liability company	RMB100,000,000	**100%**	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	Limited liability company	RMB72,000,000	**90%**	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	Limited liability company	RMB40,820,000	**100%**	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	Limited liability company	RMB200,000,000	**100%**	100%	Property development
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	Limited liability company	RMB50,000,000	**70%**	70%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	Limited liability company	RMB30,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	Limited liability company	HK$428,999,750	**100%**	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	Limited liability company	RMB98,000,000	**100%**	100%	Property development
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	Limited liability company	RMB58,820,000	**100%**	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	Limited liability company	RMB100,000,000	**50% (note ii)**	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	Limited liability company	RMB946,675,000	**100%**	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	Limited liability company	RMB30,000,000	**94.9%**	94.9% (note 41(c))	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	Limited liability company	RMB168,000,000	**100%**	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	Limited liability company	HK$256,026,685	**100%**	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	Limited liability company	US$3,794,256	**100%**	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	Limited liability company	RMB450,000,000	**47% (note i)**	100%	Property development
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	Limited liability company	RMB1,086,670,000	**100%**	100%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Shenzhen Zhengchangtai Investment Consulting Co., Ltd 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development Co., Ltd 萬裕昌計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	Limited liability company	HK$2,000,000	**100%**	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	Limited liability company	HK$10,000	**100%**	100%	Investment holding
Beijing Jinmao Caixun Xinxi Co., Ltd 北京金貿財迅信息有限公司	the PRC, 5 December 2005	Limited liability company	RMB24,400,000	**100%**	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	Limited liability company	US$1	**100%**	100%	Investment holding
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	Limited liability company	HK$1	**100%**	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	Limited liability company	US$40,000,000	**100%**	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	Limited liability company	US$2	**100%**	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	Limited liability company	HK$10,000	**100%**	100%	Investment holding
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	Limited liability company	US$1	**100%**	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	Limited liability company	US$1	**100%**	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	Limited liability company	HK$1	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	Limited liability company	HK$1	**100%**	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	Limited liability company	HK$1	**100%**	100%	Investment holding
Shenzhen Kaisa Hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	Limited liability company	RMB110,750,000	**100%**	100%	Hotel management
Hong Kong Kaisa Industry Co., Limited 香港佳兆業實業有限公司	HK, 24 November 2010	Limited liability company	US$1,000	**100%**	100%	Investment holding
Changzhou Shengxin Property Development Co., Ltd.* (formerly as Changzhou Kaisa Property Development Co., Ltd.) 常州盛欣房地產開發有限公司(前稱常州佳兆業房地產開發有限公司)	the PRC, 8 December 2010	Limited liability company	RMB506,958,095	**0%** **(note iii)**	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	Limited liability company	US$1	**100%**	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co., Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	Limited liability company	RMB1,000,000	**100%**	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	Limited liability company	RMB500,000,000	**100%**	100%	Commerce management
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	Limited liability company	US$1,000	**100%**	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd 成都市鼎誠達房地產開發有限公司	the PRC, 6 July 2012	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd 佳兆業左博置業(深圳)有限公司	the PRC, 21 August 2012	Limited liability company	RMB20,000,000	**100%**	100%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Wan Rui Chang Property Development (Suizhong) Co., Ltd 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	Limited liability company	HK$244,000,000	**100%**	100%	Property development
Kaisa Property (Dandong) Co., Ltd 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	Limited liability company	US$50,500,000	**100%**	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	Limited liability company	RMB50,000,000	**0% (note iii)**	100%	Property development
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	Limited liability company	US$10,000	**100%**	100%	Investment holding
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	Limited liability company	RMB196,000,000	**100%**	100%	Property development
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2011	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	Limited liability company	RMB100,000,000	**51%**	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市傑領資訊諮詢有限公司	the PRC, 3 November 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commerce management
Hainan Kaisa Industrial Group Co., Ltd. 海南佳兆業實業集團有限公司	the PRC, 24 April 2010	Limited liability company	RMB1,000,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Guangzhou Kaisa Investment Co., Ltd. 廣州佳兆業投資諮詢有限公司	the PRC, 8 March 2010	Limited liability company	RMB10,000,000	**55%**	55%	Property development
Shenzhen Kaisa Real Estate Co., Ltd. 深圳市佳兆業置業有限公司	the PRC, 7 September 2012	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shenzhen Guan Lan Kaisa Real Estate Development Co., Ltd. 深圳市觀瀾佳兆業置業發展有限公司	the PRC, 30 August 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shenzhen Jirui Real Estate Development Co., Ltd. 深圳市吉瑞置業發展有限公司	the PRC, 4 September 2014	Limited liability company	RMB10,000,000	**0% (note iii)**	100%	Property development
Shenzhen Jili Real Estate Development Co., Ltd. 深圳市吉麗房地產開發有限公司	the PRC, 25 October 2019	Limited liability company	RMB632,800,000	**100%**	100%	Property development
Qinghai Pharmaceutical Co., Limited 青海製藥廠有限公司	the PRC, 31 May 2000	Limited liability company	RMB100,000,000	**54.84%**	54.84% (note 41(b))	Manufacturing and trading of pharmaceutical products
Guangzhou Jingsheng Real Estate Development Co., Ltd. 廣州市景晟房地產開發有限公司	the PRC, 8 August 2019	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Dalian Shizhan Real Estate Development Co., Ltd. 大連世展房地產開發有限公司	the PRC, 26 January 2014	Limited liability company	RMB10,000,000	**100%**	100% (note iv)	Property development
Chongqing Kunzhourun Real Estate Development Co., Ltd. 重慶琨洲潤置業發展有限公司	the PRC, 31 July 2019	Limited liability company	RMB20,080,000	**100%**	100% (note iv)	Property development
Ningbo Kangzheng Real Estate Development Co., Ltd. 寧波康正置業有限公司	the PRC, 20 October 2017	Limited liability company	RMB100,000,000	**30%**	30%	Property development
Hengyang Hengji Real Estate Development Co., Ltd. 衡陽恒基置業有限公司	the PRC, 27 October 2010	Limited liability company	RMB81,600,000	**51%**	51%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Zhongshan Jiaxu Property Development Limited 中山佳旭房地產開發有限公司	the PRC, 23 August 2019	Limited liability company	RMB5,000,000	**51%**	80%	Property development
Chengdu Huaguan Keheng Technology Co., Ltd. 成都華冠可恒科技有限公司	the PRC, 26 June 2017	Limited liability company	RMB40,816,327	**51%**	51%	Property development
Chengdu Jinxi Shengrong Real Estate Development Co., Ltd. 成都錦熙晟榮房地產開發有限公司	the PRC, 26 April 2017	Limited liability company	RMB10,000,000	**51%**	51%	Property development
Qingdao Jiake Real Estate Development Co., Ltd. 青島佳科房地產開發有限公司	the PRC, 25 December 2018	Limited liability company	RMB10,000,000	**51%**	51%	Property development
Foshan Fojia Real Estate Development Co., Ltd. 佛山市佛佳房地產開發有限公司	the PRC, 24 May 2019	Limited liability company	RMB30,000,000	**51% (note ii)**	100%	Property development
Bazhou Yujingxuan Real Estate Development Co., Ltd. 霸州市裕景軒房地產開發有限公司	the PRC, 8 August 2017	Limited liability company	RMB5,000,000	**51%**	51%	Property development
Shenzhen Longfei Textile Limited Liabilities Co., Ltd. 深圳市龍飛紡織工業有限責任公司	the PRC, 20 October 1992	Limited liability company	RMB359,693,539	**95%**	95% (note iv)	Property development
Chengdu Jiaruihua Real Estate Development Co., Ltd. 成都佳瑞華房地產開發有限公司	the PRC, 19 October 2017	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Xingbotong Electrical (Shenzhen) Co., Ltd. 興博通電子(深圳)有限公司	the PRC, 28 May 2001	Limited liability company	RMB390,000,000	**100%**	100%	Property development
Shenzhen Baolijianye Investment Co., Ltd. 深圳市保利建業投資有限公司	the PRC, 6 November 2012	Limited liability company	RMB80,000,000	**53.40%**	53.40%	Property development
Suzhou Jiayuanhuafu Real Estate Development Co., Ltd. 蘇州市佳源華府房地產開發有限公司	the PRC, 17 January 2018	Limited liability company	RMB50,209,400	**100%**	100%	Property development
Kaisa Health Group Holdings Limited 佳兆業健康集團控股有限公司 (note v)	Bermuda 23 January 1997	Limited liability company	HK$6,063,249	**42.89%**	42.89%	Health care operations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Huizhou Jiashang Investment Co., Ltd. 惠州市佳尚投資有限公司	the PRC, 1 August 2017	Limited liability company	RMB10,000,000	**70%**	70%	Property development
Shenzhen Dashengtong Real Estate Development Co., Ltd. 深圳市達盛通置業有限公司	the PRC, 28 April 2016	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shenzhen Shipping Group Co., Ltd. 深圳市航運集團有限公司	the PRC, 24 March 1982	Limited liability company	RMB5,168,000	**70%**	70%	Water-way passenger and cargo transportation
Pinggu Nuoxin Real Estate Development (Dalian) Co., Ltd. 平谷諾信置業(大連)有限公司	the PRC, 8 November 2011	Limited liability company	RMB90,812,600	**100%**	100% (note iv)	Property development
Shenzhen Pengxing Shipping Co., Ltd. 深圳市鵬星船務有限公司	the PRC, 1 December 1982	Limited liability company	RMB5,168,000	**70%**	70%	Water-way passenger and cargo transportation
Shenzhen Football Club Co., Ltd. 深圳市足球俱樂部有限公司	the PRC, 28 October 1994	Limited liability company	RMB110,000,000	**90%**	90%	Cultural operation
Kaisa Prosperity Holdings Limited 佳兆業美好集團有限公司 (note v)	Cayman Islands, 13 October 2019	Limited liability company	RMB1,232,000	**75%**	75%	Investment holding
Zhongshan Runbang Real Estate Development Co., Ltd. 中山市潤邦房地產開發有限公司	the PRC, 24 May 2012	Limited liability company	RMB1,000,000	**100%**	100%	Property development
Chengdu Shengshi Phoenix Nest Property Co., Ltd. 成都盛世凰巢置業有限公司	the PRC, 7 January 2014	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Zhuhai Hao Hui Business Service Co., Ltd. 珠海浩輝商務服務有限公司	the PRC, 28 May 2015	Limited liability company	RMB10,000,000	**100%**	100%	Commerce management
Suizhong Jia Yue Real Estate Development Co., Ltd. 綏中佳悅房地產開發有限公司	the PRC, 21 August 2018	Limited liability company	RMB50,000,000	**100%**	100%	Property development

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Zhangjiang Kaisa Top Quality Real Estate Development Co., Ltd. 張家港市佳兆業上品房地產開發有限公司	the PRC, 2 July 2018	Limited liability company	RMB5,000	**100%**	100%	Property development
Xuzhou Jiale Real Estate Development Co., Ltd. 徐州佳樂房地產開發有限公司	the PRC, 27 June 2018	Limited liability company	RMB17,500,000	**50%**	50%	Property development
Shaoxing Ming Yue Real Estate Co., Ltd. 紹興明悅置業有限公司	the PRC, 25 July 2016	Limited liability company	RMB2,000	**99%**	51%	Property development
Shenzhen Jili Real Estate Development Co., Ltd. 深圳市吉麗房地產開發有限公司	the PRC, 25 October 2019	Limited liability company	RMB632,800,000	**100%**	100%	Property development
Victorious Resources Limited 源凱有限公司	BVI, 3 August 2018	Limited liability company	US$50,000	**100%**	100%	Property development
South Prestige Limited 南譽有限公司	BVI, 29 May 2018	Limited liability company	US$50,000	**100%**	100%	Property development
Global Favour Limited 環球豐有限公司	BVI, 28 August 2018	Limited liability company	US$1	**100%**	100%	Property development
Lejie Electronic Products (Shenzhen) Co. Ltd. 樂捷電子產品(深圳)有限公司	the PRC, 11 March 1993	Limited liability company	HK$1,000,000	**51% (note 41(c))**	39%	Property development
Zhongshan Hong Kong Real Estate Development Company Limited 中山富港房地產開發有限公司	the PRC, 16 March 2017	Limited liability company	RMB120,480,000	**80%**	80%	Property development
Great Harbour Global Limited 耀港環球有限公司	BVI, 7 January 2019	Limited liability company	US$50,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2020	2019	Principal activities
Ocean Regal Limited 海琪有限公司	BVI, 15 May 2018	Limited liability company	US$1	**100%**	100%	Property development
Guangzhou Jiajing Real Estate Development Co., Ltd. 廣州佳徑房地產開發有限公司	the PRC, 11 March 2020	Limited liability company	RMB200,000,000	**100%**	N/A	Property development
Good Promise Investments Limited 康諾投資有限公司	BVI, 13 November 2018	Limited liability company	US$1	**100%**	100%	Property development
Weikang (Qingyuan) Zhiye Co,. Ltd. 威康(清遠)置業有限公司	the PRC, 23 September 2008	Limited liability company	HK$128,000,000	**100%** **(note iv)**	N/A	Property development
Jinlun (Qingyuan) Zhiye Co,. Ltd. 金倫(清遠)置業有限公司	the PRC, 23 September 2008	Limited liability company	HK$168,000,000	**100%** **(note iv)**	N/A	Property development
Qingyuan Delun Zhiye Co., Ltd. 清遠德倫置業有限公司	the PRC, 23 September 2008	Limited liability company	HK$80,317,600	**100%** **(note iv)**	N/A	Property development

Notes:

(i) During the year ended 31 December 2020, the Group entered into agreements with a number of investors to dispose certain equity interests in certain subsidiaries. Upon shares transferred, the Group lost its control in these subsidiaries. These companies ceased to be subsidiaries of the Group and the remaining equity interests held were accounted for as joint ventures of the Group, using equity method, see note 42(a).

(ii) During the year ended 31 December 2020, the Group entered into agreements with a number of investors for the capital injection in certain subsidiaries. Upon capital injection, the Group's equity interest in these subsidiaries have been diluted from 100% and lost control in these subsidiaries. These companies ceased to be subsidiaries of the Group, and were accounted for as joint ventures of the Group, using equity method, see note 42(b).

(iii) The Group sell its completed properties held for sales, properties under development or/and prepayments for proposed development projects to independent third parties through disposals of companies. The consideration was recorded as revenue during the years ended 31 December 2020 and 31 December 2019.

(iv) The Group acquired assets through acquisitions of subsidiaries. See note 41(a).

(v) Kaisa Prosperity Holdings Limited and Kaisa Health Group Holdings Limited are listed companies in Main Board of Hong Kong Stock Exchange.

(vi) 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.

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

The table below shows details of non-wholly owned subsidiary of the Company that is individual material non-controlling interests of the Group as at 31 December 2020 and 2019:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive (loss)/income allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020**	2019	**2020**	2019
				RMB'000	RMB'000	**RMB'000**	RMB'000
Shenzhen Marine Group Company Limited ("Shenzhen Marine") and its subsidiaries ("Shenzhen Marine Group") (note i)	the PRC	**30.0%**	30.0%	**(22,388)**	16,238	**10,304,649**	10,314,280

Notes:

i As at 31 December 2020, the Group held 70.0% (2019: 70.0%) equity interest in Shenzhen Marine, which indirectly held 51.0% (2019: 51.0%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited* ("深圳圳華港灣企業有限公司").

ii During the year ended 31 December 2020, the Group entered into cooperation agreements with independent third parties, it is agreed that the Group and the investors set up certain subsidiaries with total contribution amounts of approximately RMB11,205,900,000 and RMB10,750,600,000 (2019: RMB8,211,000,000 and RMB7,889,000,000) respectively to obtain the lands for further development. Upon capital injection, the Group and the investors had 51.0% and 49.0% (2019: 51.0% and 49.0%) equity interest in these subsidiaries.

iii Certain third parties injected capital which resulted in passive dilution of interests in certain subsidiaries without loss of control the Group recognised an increase in equity and a decrease in non-controlling interests of RMB286,583,000.

* The English translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Summarised financial information in respect of the Group's subsidiary with individual material non-controlling interest as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	Shenzhen Marine Group	
	2020	2019
	RMB'000	RMB'000
Current assets	**13,132,718**	13,399,706
Non-current assets	**1,152,543**	3,208,906
Current liabilities	**(2,992,257)**	(4,583,505)
Non-current liabilities	**(277,507)**	(977,507)
Equity	**11,015,497**	11,047,600
Equity attributable to owners of the Company	**710,848**	733,320
Equity attributable to non-controlling interests	**10,304,649**	10,314,280

	Shenzhen Marine Group	
	2020	2019
	RMB'000	RMB'000
Revenue	**442,559**	898,178
(Loss)/Profit for the year	**(95,079)**	65,983
Other comprehensive income/(expense) for the year	**62,976**	(11,856)
Total comprehensive (expense)/income attributable to owners of the Company	**(22,472)**	37,889
Total comprehensive (expense)/income attributable to the non-controlling interests	**(9,631)**	16,238
Total comprehensive (expense)/income for the year	**(32,103)**	54,127
Net cash from operating activities	**48,037**	92,976
Net cash used in investing activities	**(213,937)**	(1,297,276)
Net cash from financing activities	**13,615**	1,404,013
Net cash (outflow)/inflow	**(152,285)**	199,713

Amount less than RMB1,000

49. COMPARATIVE FIGURES

The comparative figures in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 has been restated in order to conform to the current year's presentation.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the members of Kaisa Group Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 137 to 304, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of properties under development and completed properties held for sale Refer to note 5 of critical accounting estimates and judgements, note 22 of properties under development and note 23 of completed properties held for sale to the consolidated financial statements. As at 31 December 2019, the Group had properties under development and completed properties held for sale ("properties") amounting to RMB63,674,746,000 and RMB13,003,874,000, respectively, which in total represented approximately 28.30% of the total assets of the Group. Given the significant balance of properties under development and completed properties held for sale and the involvement of critical accounting estimates, the impairment assessment of these properties is considered a key audit matter. These properties are carried at the lower of cost and net realisable value. Significant management judgement is required in determining the estimated net realisable values of these properties with reference to the latest selling prices of the properties and the budgeted costs to be incurred until completion and sale. Based on management's analysis of the net realisable value of the properties, write-down of approximately RMB367,737,000 were charged to profit or loss for the year ended 31 December 2019.	We understood and evaluated the management's procedures on identifying properties for which the net realisable values may be lower than their carrying amounts, including the methodologies and inputs used in the estimation of the net realisable values. Our procedures in relation to assessing the appropriateness of the valuation of these properties included: (i) testing the calculation for the impairment assessment performed by management; (ii) assessing future costs to be incurred to completion on a sample basis; (iii) comparing the carrying amounts of the properties taking into account the estimated amounts to completion with the related net realisable value with regard to properties under development; and (iv) testing management's key estimates on a sample basis for selling price which is estimated based on prevailing market conditions. We compared the estimated selling price to the recent market transactions by reference to the Group's selling prices of pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location.
Valuation of investment properties Refer to note 5 of critical accounting estimates and judgements, note 2.8 of accounting policy of investment properties and note 17 of investment properties to the consolidated financial statements. As at 31 December 2019, the Group had investment properties amounting to RMB35,309,000,000 which in total represented approximately 13.03% of the total assets of the Group. The estimate of the fair value of the Group's investment properties requires significant management judgement taking into account the conditions and locations of the properties as well as the latest market transactions. To support management's determination of the fair value, the Group has engaged an external valuer to perform valuations on the investment properties at the reporting date. Different valuation techniques were applied to different types of investment properties.	We evaluated the independence, competence and relevant experience of the external valuer engaged by the Company. We also assessed the scope of the valuations, critical judgements and data used in the valuations and evaluated the methodology and assumptions used. In addition, we evaluated the source data used in the valuations by benchmarking them to relevant market information.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of interests in associates and joint ventures Refer to note 5 of critical accounting estimates and judgements, note 19(a) of investments in associates and note 19(b) of investments in joint ventures to the consolidated financial statements. We identified the valuation of investments in associates and joint ventures as a key audit matter due to the significance of the Group's interests in associates and joint ventures in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the investments in associates and joint ventures, in particular, the future prospects of each associate and joint venture. As at 31 December 2019, the carrying amounts of investments in associates and joint ventures amounting to RMB11,918,789,000 and RMB14,092,325,000, respectively. As disclosed in notes 2.3 and 2.4 to the consolidated financial statements, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associates and joint ventures, less accumulated impairment in the values of individual investments. As such, the Group is required to assess at each reporting date whether there is any indication that the carrying amounts of interests in associates and joint ventures may be impaired. For those associates and joint ventures in which such indication exists, the Group assessed the carrying amounts for impairment. As disclosed in notes 19(a) and 19(b) to the consolidated financial statements, no impairment of interests in associates and joint ventures was considered to be necessary as at 31 December 2019.	Our procedures in relation to the valuation of investments in associates and joint ventures included: • assessing the appropriateness of management's accounting for investments in associates and joint ventures; • understanding the management's process for identifying the existence of impairment indicators in respect of the interests in associates and joint ventures and evaluating the effectiveness of such process; • where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associates and joint ventures and obtaining an understanding from management of their financial position and future development plan; and • assessing the reasonableness of key inputs and assumptions used by management in their estimation of recoverable amounts, including projections of cash flows, growth rates and discount rates applied; and comparing cash flow projections to supporting evidence, such as budgets, and evaluating the reasonableness of these budgets with reference to the future prospects of the associates and joint ventures as well as our knowledge of the industry and business.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

31 March 2020

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	**48,021,685**	38,704,967
Cost of sales	7	**(34,191,622)**	(27,576,209)
Gross profit		**13,830,063**	11,128,758
Other gains and (losses), net	8	**(677,844)**	(638,696)
Net gain on disposals of subsidiaries	41(a)	**245,581**	–
Net gain on deemed disposals of subsidiaries	41(b)	**2,460,638**	2,912,593
Selling and marketing costs	7	**(1,996,166)**	(1,262,466)
Administrative expenses	7	**(3,350,817)**	(2,601,078)
Net fair value gain of investment properties	17	**178,419**	212,374
Fair value loss of financial derivatives		**(82,191)**	–
Operating profit		**10,607,683**	9,751,485
Share of results of associates		**92,619**	239,913
Share of results of joint ventures	19(b)	**(197,697)**	(48,726)
Finance income	9	**580,269**	402,511
Finance costs	9	**(1,615,271)**	(2,573,298)
Finance costs, net	9	**(1,035,002)**	(2,170,787)
Profit before income tax		**9,467,603**	7,771,885
Income tax expenses	10	**(5,303,595)**	(4,477,629)
Profit for the year		**4,164,008**	3,294,256
Profit/(Loss) for the year attributable to:			
Owners of the Company		**4,594,265**	2,750,206
Non-controlling interests		**(430,257)**	544,050
		4,164,008	3,294,256
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	12(a)	**0.756**	0.453
– Diluted	12(b)	**0.752**	0.450

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Profit for the year		**4,164,008**	3,294,256
Other comprehensive (loss)/income, including reclassification adjustments			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(25,165)**	6,641
Other comprehensive (loss)/income for the year, including reclassification adjustments		**(25,165)**	6,641
Total comprehensive income for the year		**4,138,843**	3,300,897
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**4,578,816**	2,734,394
Non-controlling interests		**(439,973)**	566,503
		4,138,843	3,300,897

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	**4,819,506**	3,055,880
Right-of-use assets	16	**1,358,516**	–
Investment properties	17	**35,309,000**	35,930,000
Land use rights	18	**753,493**	669,078
Investments in associates	19(a)	**11,918,789**	7,072,822
Investments in joint ventures	19(b)	**14,092,325**	8,677,152
Financial assets at fair value through profit or loss	20	**7,807,357**	6,567,622
Debtors, deposits and other receivables	24	**553,500**	1,652,852
Goodwill and intangible assets	21	**1,238,218**	1,105,288
Long-term bank deposits	28	**1,600,000**	400,000
Deferred tax assets	34	**864,268**	784,310
		80,314,972	65,915,004
Current assets			
Properties under development	22	**63,674,746**	64,764,338
Completed properties held for sale	23	**13,003,874**	13,130,534
Inventories		**260,302**	105,305
Deposits for land acquisition	25	**19,891,354**	19,445,196
Prepayments for proposed development projects	26	**23,782,080**	19,080,815
Debtors, deposits and other receivables	24	**33,461,565**	22,600,171
Prepaid taxes		**1,092,397**	1,134,324
Restricted cash	27	**6,016,455**	6,792,292
Financial assets at fair value through profit or loss	20	**43,034**	328,204
Short-term bank deposits	28	**2,536,724**	252,718
Cash and bank balances	28	**26,824,859**	15,479,139
		190,587,390	163,113,036
Current liabilities			
Contract liabilities	29	**39,388,659**	39,154,089
Accrued construction costs		**14,494,060**	12,599,547
Income tax payable		**10,739,849**	7,773,315
Lease liabilities	30	**159,694**	–
Borrowings	31	**31,891,998**	16,965,694
Other payables	32	**27,011,322**	19,917,262
Derivative financial instruments	33	**82,807**	–
		123,768,389	96,409,907
Net current assets		**66,819,001**	66,703,129
Total assets less current liabilities		**147,133,973**	132,618,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities	30	**1,226,605**	–
Borrowings	31	**85,303,554**	91,800,258
Other payables	32	**10,248**	–
Deferred tax liabilities	34	**4,886,993**	4,478,563
		91,427,400	96,278,821
Net assets		**55,706,573**	36,339,312
EQUITY			
Share capital	35	**534,844**	533,389
Share premium	35	**5,546,561**	6,168,607
Reserves	36	**19,634,942**	14,938,114
Equity attributable to owners of the Company		**25,716,347**	21,640,110
Non-controlling interests		**29,990,226**	14,699,202
Total equity		**55,706,573**	36,339,312

Approved and authorised for issue by the Board of Directors on 31 March 2020.

Kwok Ying Shing
Director

Mai Fan
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital RMB'000 (note 35)	Share premium RMB'000 (note 35)	Reserves RMB'000 (note 36)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2018	532,865	6,913,069	11,941,986	19,387,920	10,903,004	30,290,924
Profit for the year	–	–	2,750,206	2,750,206	544,050	3,294,256
Other comprehensive (loss)/income for the year	–	–	(15,812)	(15,812)	22,453	6,641
Total comprehensive income for the year	–	–	2,734,394	2,734,394	566,503	3,300,897
Acquisitions of subsidiaries (note 40)	–	–	–	–	172,719	172,719
Capital injection by non-controlling interests	–	–	–	–	3,166,914	3,166,914
Acquisitions of non-controlling interests	–	–	3,849	3,849	(18,384)	(14,535)
Deemed disposals of subsidiaries (note 41(b))	–	–	–	–	(91,554)	(91,554)
Issue of shares upon exercise of share options	424	8,989	(2,727)	6,686	–	6,686
Dividend paid (note 11)	–	(757,259)	–	(757,259)	–	(757,259)
Issue of shares as scrip dividends	100	3,808	–	3,908	–	3,908
Share-based payments (note 42(a))	–	–	260,612	260,612	–	260,612
Balance as at 31 December 2018 and 1 January 2019	**533,389**	**6,168,607**	**14,938,114**	**21,640,110**	**14,699,202**	**36,339,312**
Profit/(Loss) for the year	**–**	**–**	**4,594,265**	**4,594,265**	**(430,257)**	**4,164,008**
Other comprehensive loss for the year	**–**	**–**	**(15,449)**	**(15,449)**	**(9,716)**	**(25,165)**
Total comprehensive income/(loss) for the year	**–**	**–**	**4,578,816**	**4,578,816**	**(439,973)**	**4,138,843**
Acquisitions of subsidiaries (note 40)	**–**	**–**	**–**	**–**	**1,078,015**	**1,078,015**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**14,807,664**	**14,807,664**
Disposals of subsidiaries (note 41(a))	**–**	**–**	**–**	**–**	**(9,968)**	**(9,968)**
Deemed disposals of subsidiaries (note 41(b))	**–**	**–**	**–**	**–**	**(176,313)**	**(176,313)**
Deemed disposal of a subsidiary without loss of control	**–**	**–**	**(12,667)**	**(12,667)**	**43,667**	**31,000**
Issue of shares upon exercise of share options	**1,455**	**22,598**	**(9,282)**	**14,771**	**–**	**14,771**
Dividend paid (note 11)	**–**	**(644,644)**	**–**	**(644,644)**	**–**	**(644,644)**
Dividend paid to non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**(12,068)**	**(12,068)**
Share-based payments (note 42(a))	**–**	**–**	**139,961**	**139,961**	**–**	**139,961**
Balance as at 31 December 2019	**534,844**	**5,546,561**	**19,634,942**	**25,716,347**	**29,990,226**	**55,706,573**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**9,362,258**	24,650,873
Income tax paid		**(1,784,236)**	(3,190,093)
Interest paid		**(9,641,482)**	(10,861,607)
Net cash (used in)/from operating activities		**(2,063,460)**	10,599,173
Cash flows from investing activities			
Additions to property, plant and equipment	15	**(375,808)**	(308,254)
Additions to investment properties	17	**(1,126,521)**	(3,526,339)
Additions to intangible assets	21	**(319,210)**	(85,033)
Acquisitions of associates		**(5,046,794)**	(2,224,868)
Acquisitions of joint ventures	19(b)	**(12,720)**	(339,100)
Acquisitions of financial assets at fair value through profit or loss		**(1,610,847)**	(2,020,211)
Acquisitions of subsidiaries, net of cash acquired	40	**(1,399,902)**	(971,100)
Decrease/(increase) in amounts due from associates		**2,074**	(4,024,692)
Increase in amounts due from joint ventures		**(6,400,512)**	(12,402)
Decrease/(increase) in other receivables		**542,404**	(3,147,678)
Increase in amounts due from non-controlling interest of a subsidiary		**(2,759,803)**	(994,600)
(Increase)/decrease in short-term bank deposits		**(2,284,006)**	979,488
Increase in long-term bank deposits		**(1,200,000)**	(400,000)
Capital injection to joint ventures	19(b)	**(2,375,822)**	–
Cash inflow from disposals of subsidiaries	41(a)	**304,597**	–
Cash outflow from deemed disposals of subsidiaries	41(b)	**(1,737,291)**	(2,572,441)
Dividend income received from financial assets at fair value through profit or loss	8	**30,966**	20,945
Interest received		**885,642**	200,793
Increase in consideration payables related to acquisitions of associate and joint venture		**405,442**	78,500
Payment for consideration payables related to acquisitions of subsidiaries		**(1,566,420)**	(1,559,222)
Payment for consideration payables related to purchase of available-for-sale financial assets		**–**	(570,163)
Payment for consideration payable related to acquisitions of associate and joint venture		**–**	(757,937)
Payment for consideration payable related to purchase of financial assets at fair value through profit or loss		**(754,318)**	–
Proceeds from disposals of financial assets at fair value through profit or loss		**1,817,014**	32,596
Proceeds from disposals of property, plant and equipment	37(a)	**30,205**	16,068
Proceeds from disposals of investment properties		**266,115**	11,108
Proceeds from disposal of deposits paid for land acquisition		**39,400**	–
Net cash used in investing activities		**(24,646,115)**	(22,174,542)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Acquisitions of non-controlling interests		**–**	(14,535)
Capital injection by non-controlling interests		**14,807,664**	3,166,914
(Decrease)/increase in other payables		**(1,730,072)**	1,373,817
Increase in amounts due to associates		**1,069,243**	92,279
Increase in amounts due to joint ventures		**962,641**	2,246,498
Decrease in restricted cash relating to borrowings		**2,354,596**	1,220,611
Increase in amounts due to non-controlling interests of subsidiaries		**162,976**	1,234
Proceeds from bank and other borrowings		**26,820,102**	30,785,043
Proceeds from loans from associates		**2,610,667**	2,034,350
Net proceeds from issuance of senior notes	31(a)	**20,649,999**	5,637,588
Payment of lease liabilities		**(226,776)**	–
Proceeds from exercise of share options		**14,771**	6,686
Proceeds from issuance of convertible bonds	31(b)	**633,200**	–
Repayments of bank and other borrowings		**(22,296,361)**	(28,035,327)
Repayments of loans from associates		**(1,240,550)**	(1,021,000)
Repayments of senior notes		**(1,973,376)**	(2,015,121)
Payment for repurchase of senior notes		**(3,935,543)**	–
Dividend paid		**(644,644)**	(753,351)
Dividend paid to non-controlling interests of subsidiaries		**(12,068)**	–
Net cash generated from financing activities		**38,026,469**	14,725,686
Net increase in cash and cash equivalents		**11,316,894**	3,150,317
Cash and cash equivalents at beginning of the year		**15,479,139**	11,998,423
Exchange adjustments		**28,826**	330,399
Cash and cash equivalents at end of the year, represented by cash and bank balances		**26,824,859**	15,479,139

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.1.

The notes on pages 144 to 304 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands.

The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in property development, property investment, property management, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation in the People's Republic of China (the "PRC").

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), which is also the currency of the primary economic environment in which most of the group entities operate (the functional currency of the Company and most of the entities comprising the Group), and all values are rounded to the nearest thousand ('000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 31 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3. The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL"), investment properties and financial derivatives which have been measured at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share of the subsidiary's carrying value of net assets is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

In the Company's statement of financial position the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint ventures

The Group applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies rates are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance costs, net'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within "other gains and (losses), net".

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

– income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates of the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken into equity owners' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Hotel properties	20-25 years
Land and buildings	20-40 years
Machinery	5 years
Motor vehicles	5-10 years
Furniture, fitting and equipment	3-8 years
Vessels	10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount are recognised within "other gains and (losses), net" in profit or loss.

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Effective from 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commence to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

2.9 Land use rights

The Group makes upfront payments to obtain operating leases of land use rights (which meet the definition of right-of-use assets upon initial application of HKFRS 16). The upfront payments of the land use rights are recorded as assets. The amortisation (before the application of HKFRS 16)/depreciation (upon the application of HKFRS 16) of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

2.10 Intangible assets and goodwill

(i) Contracts with sports players

Separately acquired contracts with sports players are shown at historical cost. Costs of contracts with sports players are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method ranged from one to five years (2018: one to four years).

(ii) Trademarks and patent, customer relationship, technology, distribution network and other intangible assets

Trademarks and patent, customer relationship, technology, distribution network and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method ranged from five to eleven years over the expected life of these intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets and goodwill (Continued)

(iii) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (i.e. the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non – controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.11).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.11 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- goodwill arising on acquisition of a subsidiary;
- other intangible assets;
- property, plant and equipment;
- Right-of-use assets;
- land use rights;
- investment properties; and
- the Company's interests in subsidiaries, associates and joint ventures

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (other than contract assets) (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "finance costs, net" or "other gains and (losses), net."

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets (Continued)

Debt investments (Continued)

Financial assets at amortised cost (Continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Interest income from these financial assets is included in finance income in profit or loss. The Group's debtors, deposits and other receivables, restricted cash, short-term bank deposits, long-term bank deposits and cash and bank balances fall into this category of financial instruments.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are categorised and measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss and other comprehensive income within "other gains and (losses), net" in the period in which it arises. Interest income from these financial assets is included in the "finance costs, net" in profit or loss.

Equity investments

Investments in equity instruments are classified as FVTPL unless these equity instruments are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and (losses), net" in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include accrued construction cost, lease liabilities, borrowings and other payables (excluding deed tax and other tax payables, and deposits received).

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives designated at FVTPL, which are carried subsequently at fair value with "other gains or (losses), (net)" recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "finance costs, net" in profit or loss.

Accounting policies of lease liabilities are set out in note 2.25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss. When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Accrued construction cost and other payables

Accrued construction cost and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade debtors recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Trade debtors

For trade debtors, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(i) Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit – impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant of financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position as the loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

(ii) Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15 Properties under development

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised less applicable variable selling expenses and anticipated cost to completion.

Development cost of properties comprises mainly construction costs, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle.

2.16 Completed properties held for sale

Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, completed properties remaining unsold at each reporting date are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held by banks, other short-term high liquidity investment with original maturities of three months or less.

Restricted cash, short-term bank deposits and long-term bank deposits are not included in cash and cash equivalents.

2.18 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.24). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.12).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for its associate, unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus entitlements

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(v) Share-based payments

The Group operates equity-settled share option schemes, which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to equity.

2.23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when (or as) performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand – alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

(i) Sales of properties

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the law that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(i) Sales of properties (Continued)

For properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group's performance towards satisfying the performance obligation.

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.

Deposits and instalments received from purchasers prior to delivery of the properties to the customers are contract liabilities.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Hotel operation income

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group satisfies performance obligations by transferring the services to its customers.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

(v) Catering income

Revenue from restaurant operations is recognised when food, beverages and services are delivered to or rendered to and have been accepted by customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(vi) Hire income from charter

Hire income from time charter is accounted for as operating lease and is recognised on a straight-line basis over the period of each time charter contract.

(vii) Passenger transportation agency service

Revenue from passenger transportation agency service are recognised based on net agencies fee upon departure of ferries at terminals.

(viii) Sales of goods

The Group manufactures and sells a range of consumer products, including dental prosthetics. Revenue from sales of goods are recognised when the products have been delivered to and accepted by customers.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2.25 Leases

(a) Definition of lease and the Group as a lessee

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) Definition of lease and the Group as a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties are subsequently measured at fair value, in accordance with the Group's accounting policies.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise IT-equipment and small items of office equipment.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within "investment property". The prepaid lease payments for leasehold land are presented as "Land use rights" under non-current assets.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) Definition of lease and the Group as a lessee (Continued)

Policy applicable before 1 January 2019

An arrangement comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.26 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the board of directors, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "other payables". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.13 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under "other gains and (losses), net" in the consolidated statement of profit or loss and other comprehensive income.

2.29 Related parties

For the purposes of these consolidated financial statements, 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 if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related parties (Continued)

(b) the party is an entity and if 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 an associate or joint venture of a member of a group of which the other entity is a member);

(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 (if the Group is itself such a plan) and the sponsoring employers are also 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended standards issued by HKICPA, which are relevant to the Group's operations and effective for the consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in an Associate or Joint Venture
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 Cycle
HK (IFRIC) – Int. 23	Uncertainty over Income Tax Treatments

Other than HKFRS 16 "Leases" as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations 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"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current year. Prior years have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) – Int. 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) – Int. 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Land use rights" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.82% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessee (Continued)

On transition, the Group recognised lease liabilities of RMB799,167,000 and right-of-use assets of RMB799,167,000 at 1 January 2019.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018 (note 39(b))	**1,152,467**
Less: commitments relating to lease exempt from capitalisation:	
– short-term lease with remaining lease term ended on or before 31 December 2019	**(11,378)**
Operating leases liabilities before discounting	**1,141,089**
Less: discounting using incremental borrowing rate as at 1 January 2019	**(341,922)**
Total lease liabilities recognised at 1 January 2019	**799,167**
Classified as:	
Current lease liabilities	**110,519**
Non-current lease liabilities	**688,648**
	799,167

The remaining contractual maturities of the Group's lease liabilities at the date of transition to HKFRS 16 are as follows:

	As at 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**110,519**	**157,479**
After 1 year but within 2 years	**88,248**	**128,950**
After 2 years but within 5 years	**171,283**	**268,300**
After 5 years or above	**429,117**	**586,360**
	688,648	**983,610**
	799,167	**1,141,089**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for lease in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets (non-current assets)	**799,167**
Increase in lease liabilities (current liabilities)	**(110,519)**
Increase in lease liabilities (non-current liabilities)	**(688,648)**

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended standards have been published but are not yet effective, and have not been adopted early by the Group:

		Effective for the accounting period beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 January 2020 (note)
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Note: Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRS 3 "Definition of a Business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on these consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include financial assets at FVTPL, debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), long-term and short-term bank deposits, cash and bank balances, restricted cash, accrued construction costs, other payables, lease liabilities, derivative financial instruments and borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

4.1 Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Board. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk

(1) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that borrowings are denominated in other currencies. As at 31 December 2019, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting dates are as follows:

	2019 RMB'000	2018 RMB'000
Monetary assets		
United States Dollars ("US$")	**5,305,109**	2,889,638
Hong Kong Dollars ("HK$")	**339,936**	247,782
Euro ("EUR")	**56,701**	54,370
	5,701,746	3,191,790
Monetary liabilities		
US$	**58,827,932**	39,978,614
HK$	**1,265,318**	1,701,382
	60,093,250	41,679,996

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	2019		2018	
	Sensitivity rate	**Increase/ (Decrease) in profit or loss and equity RMB'000**	Sensitivity rate	Increase/ (Decrease) in profit or loss and equity RMB'000
US$	**5%**	**2,742,456**	5%	1,890,569
HK$	**5%**	**50,518**	5%	75,777
EUR	**5%**	**(2,126)**	5%	(2,039)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is mainly as a result of the net foreign exchange gains/losses on translation of US$ and HK$ denominated cash and bank balances, long-term and short-term bank deposits, debtors, deposits and other receivables and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, long-term and short-term bank deposits, cash and bank balances, certain bank and other borrowings, senior notes and convertible bonds. Restricted cash, long-term and short term bank deposits, cash and bank balances, and certain bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, certain bank and other borrowings, convertible bonds and lease liabilities issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2019, if interest rates on assets and liabilities had been increased/decreased by 100 (2018: 100) basis point with all variables held constant, the Group's post-tax profit for the year would have been RMB109,332,000 decreased/increased (2018: RMB139,300,000 decreased/increased). Majority of the interest expenses would be capitalised as a result of such interest expenses directly attributable to the property construction.

(3) Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in listed equity securities classified as financial assets at FVTPL. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

If the price of listed equity securities had been 5% (2018: 5%) increased/decreased, post-tax profit for the year ended 31 December 2019 would have been increased/decreased by approximately RMB9,679,000 (2018: RMB9,730,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's credit risk primarily arises from debtors, deposits and other receivables (excluding prepayments and prepaid other taxes), restricted cash, long-term and short-term bank deposits, and cash and bank balances. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The credit risk of long-term bank deposits, short-term bank deposits, restricted cash and cash and bank balances is limited because the counterparties are either state-owned banks located in the PRC or banks with high credit ratings.

For financial assets at amortised cost include other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It also considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Trade debtors

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade debtors.

To measure the ECL of trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2019 and 2018, there was no concentration of credit risk with respect to trade debtors as the Group has a large number of customers. Credit losses for trade debtors are assessed on both individual and collective basis.

The loss allowance provision of trade debtors as at 31 December 2019 and 2018 is determined as follows, the ECL provision below also incorporate forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Trade debtors (Continued)

2019

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	**0.1%-0.5%**	**1%-5%**	**10%-60%**	
Gross carrying amount (note 24(a)) (RMB'000)	**932,097**	**293,499**	**119,926**	**1,345,522**
Loss allowance provision (note 24(a)) (RMB'000)	**1,082**	**13,770**	**57,620**	**72,472**

2018

Trade debtors	Current	More than 180 days past due	More than 1 year past due	Total
Expected loss rate	0.1%	1.0%	10.0%	
Gross carrying amount (note 24(a)) (RMB'000)	755,009	56,217	221,527	1,032,753
Loss allowance provision (note 24(a)) (RMB'000)	755	562	22,153	23,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes)

For financial assets at amortised cost include other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. Credit losses for deposits and other receivables (excluding prepayments and prepaid other taxes) are assessed on both individual and collective basis.

A summary of the assumptions underlying the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 180 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

As at 31 December 2019 and 2018, the Group provides for credit losses against other receivables, other deposits, restricted deposits for borrowings from non-financial institutions, amounts due from joint ventures, associates and non-controlling interests of subsidiaries as follows:

2019

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	**1-10%**	**12 month expected losses**	**25,453,753**	**(799,919)**	**24,653,834**
Non-performing	**30%-50%**	**Lifetime expected losses**	**1,378,543**	**(269,775)**	**1,108,768**
Total			**26,832,296**	**(1,069,694)**	**25,762,602**

2018

Company internal credit rating	Expected credit loss rates	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Loss allowance provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Performing	1-10%	12 month expected losses	17,503,492	(548,215)	16,955,277
Under performing	20%	Lifetime expected losses	33,310	(6,662)	26,648
Non-performing	30%-50%	Lifetime expected losses	409,634	(204,817)	204,817
Total			17,946,436	(759,694)	17,186,742

No significant change to estimation techniques or assumptions was made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

The loss allowance provision for deposits and other receivables (excluding prepayments and prepaid other taxes) as at 31 December 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000	Underperforming RMB'000	Non-performing RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2018	225,917	–	–	225,917
Individual financial assets transferred to underperforming and non-performing	(44,294)	3,331	40,963	–
Provision for loss allowance recognised in profit or loss during the year	366,592	3,331	163,854	533,777
Closing loss allowance as at 31 December 2018 and 1 January 2019	**548,215**	**6,662**	**204,817**	**759,694**
Individual financial assets transferred to underperforming and non-performing	**(102,407)**	**–**	**102,407**	**–**
Provision for loss allowance recognised in profit or loss during the year	**354,111**	**–**	**74,957**	**429,068**
Written off	**–**	**(6,662)**	**(112,406)**	**(119,068)**
Closing loss allowance as at 31 December 2019	**799,919**	**–**	**269,775**	**1,069,694**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

Deposits and other receivables (excluding prepayments and prepaid other taxes) (Continued)

Total loss allowance provision for debtors, deposits and other receivables (excluding prepayments and prepaid other taxes)

As at 31 December 2019 and 2018, the loss allowance provision for debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) reconciles to the opening loss allowance for that provision as follows:

	Trade debtors RMB'000	Deposits and other receivables (excluding prepayments and prepaid other taxes) RMB'000	Total RMB'000
Closing loss allowance as at 1 January 2018	27,915	225,917	253,832
(Reversal)/Provision for loss allowance recognised in profit or loss during the year (note 8)	(4,445)	533,777	529,332
Closing loss allowance as at 31 December 2018 and 1 January 2019	**23,470**	**759,694**	**783,164**
Provision for loss allowance recognised in profit or loss during the year (note 8)	**49,002**	**429,068**	**478,070**
Written off	**–**	**(119,068)**	**(119,068)**
Closing loss allowance as at 31 December 2019	**72,472**	**1,069,694**	**1,142,166**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk

Management aims at maintaining sufficient cash and bank balances or having available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, short-term and long-term bank and other borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and bank balances and through having available sources of financing.

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2019 and 2018. As at 31 December 2019, the Group's total borrowings stood at RMB117,195,552,000 (2018: RMB108,765,952,000). During the year ended 31 December 2019, in order to properly manage the Group's liquidity risk and capital structure, the Group has issued several batches of senior notes with an aggregated principal amount of RMB20,872,250,000 (2018: RMB5,862,362,000).

Except for the aforementioned recent development, the Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adopt the changing local real estate market environment, implementing cost control measures, accelerating sales with more flexible pricing, seeking partners to develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will pursue such options based on its assessment of relevant future costs and benefits.

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company have reviewed the working capital forecast of the Group for the 12 months from 31 December 2019 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Accrued construction costs	**14,494,060**	**–**	**–**	**–**	**14,494,060**
Borrowings	**41,779,534**	**33,132,489**	**66,036,584**	**3,153,779**	**144,102,386**
Other payables	**27,011,322**	**10,248**	**–**	**–**	**27,021,570**
Lease liabilities	**241,716**	**200,618**	**502,587**	**1,045,943**	**1,990,864**
	83,526,632	**33,343,355**	**66,539,171**	**4,199,722**	**187,608,880**
Financial guarantees issued: Maximum amount guaranteed (note 38)	**32,816,544**	**–**	**–**	**–**	**32,816,544**

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Accrued construction costs	12,599,547	–	–	–	12,599,547
Borrowings	22,263,143	38,412,265	35,208,849	26,693,797	122,578,054
Other payables	19,917,262	–	–	–	19,917,262
	54,779,952	38,412,265	35,208,849	26,693,797	155,094,863
Financial guarantees issued: Maximum amount guaranteed (note 38)	30,587,387	–	–	–	30,587,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the total borrowings (note 31) less cash and bank balances, short-term bank deposits, long-term bank deposits (note 28) and restricted cash (note 27) and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and bank balances, long-term and short-term bank deposits and restricted cash. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios of the Group at 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Total borrowings (note 31)	**117,195,552**	108,765,952
Less: Cash and bank balances, long-term and short-term bank deposits (note 28) and restricted cash (note 27)	**(36,978,038)**	(22,924,149)
Net debt	**80,217,514**	85,841,803
Total equity	**55,706,573**	36,339,312
Gearing ratio	**144.00%**	236.22%

The gearing ratio for 2019 was lower than that for 2018 as a result of the increase in profit for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Assets				
Financial assets at FVTPL	**258,114**	**1,209,339**	**6,382,938**	**7,850,391**
Liabilities				
Derivative financial instruments	**–**	**–**	**82,807**	**82,807**
As at 31 December 2018				
Assets				
Financial assets at FVTPL	259,477	–	6,636,349	6,895,826

There was no transfer into or out of level 3 during the year ended 31 December 2019.

During the year ended 31 December 2018, financial assets at FVTPL related to investment in equity fund which invest in automobile business amounting to RMB199,131,000 were transferred in level 3 to level 1.

The nominal value less impairment provisions of debtors and other receivables and the nominal value of accrued construction costs and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of unlisted managed funds of RMB1,209,339,000 (2018: nil) in level 2 are determined by reference to the net asset values of these investments prescribed by a financial institution, which is based on the fair value of the underlying investments. Fair value gain on financial assets at FVTPL of RMB57,489,000 (2018: nil) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3

Information about level 3 financial instruments' fair value measurements

The following table presents the changes in level 3 financial assets for the year ended 31 December 2019 and 2018:

	2019 RMB'000	2018 RMB'000
At 1 January	**6,636,349**	5,086,320
Additions	**246,132**	2,016,911
Derecognition	**(1,904,427)**	(32,565)
Fair value gain/(loss) recognised in profit or loss	**1,404,884**	(235,186)
Reclassification financial instruments to level 1	**–**	(199,131)
At 31 December	**6,382,938**	6,636,349

Additions during the year ended 31 December 2019 mainly represented unlisted investment fund units in properties development and other businesses in the PRC. Disposal during the year ended 31 December 2019 represented unlisted investment fund units in properties development and other business in the PRC.

For the financial assets at FVTPL, the fair value gain on financial assets at FVTPL amounting to RMB1,404,884,000 (2018: fair value loss of RMB235,186,000) was included in "other gains and (losses), net" in the profit or loss for the year ended 31 December 2019. For the financial derivative, the fair value loss of financial derivatives amounting to RMB82,191,000 (2018: nil) was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Information for the derivative financial instruments as detail disclosed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(iii) Financial instruments in level 3 (Continued)

The fair value of financial instruments is determined by using the market approach model. The valuation techniques and significant unobservable inputs of the financial assets at FVTPL and derivative financial instruments are as follows:

Financial instrument	Valuation techniques	Significant unobservable inputs	Range	Sensitivity relationship of unobservable inputs to fair value
Financial assets at FVTPL	Market approach method	Price to book ratios (2018: Price to earnings ratios) (note)	0.66 to 2.75 (2018: 8.39 to 35.99)	Increase/(decrease) in price to book (2018: price to earnings) ratio would result in increase/(decrease) in fair value
		Discount for lack of marketability (2018: Discount for lack of marketability)	20% (2018: 20%)	Increase/(decrease) in discount rate would result in increase/(decrease) in fair value
Derivative financial instruments	Binomial option pricing model	Expected volatility (2018: nil)	50.4% to 56.07% (2018: nil)	Increase/(decrease) in expected volatility would result in increase/(decrease) in fair value

Note: During the year ended 31 December 2019, in the opinion of the directors, the change in unobservable inputs is more representative of fair value in the circumstances.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Since one or more of the significant inputs are not based on observable market data, the fair value measurement of these instruments are categorised as level 3. For disclosures of fair value measurement of the Group's investment properties, details are disclosed in note 17 to the consolidated financial statements.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019 and 2018 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	2019		2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Borrowings:				
– Senior notes (note 31(a))	**56,418,863**	**56,416,773**	39,726,866	30,883,782

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangement and similar agreements during the years ended 31 December 2019 and 2018.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

5.1 Key estimation of uncertainties

Estimates and judgements used in preparing the consolidated financial statements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of investment properties

Investment properties, including those completed investment properties and investment properties under construction, are carried at fair value in the consolidated statement of financial position and the changes in the fair value recognised in the profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 17 to the consolidated financial statements.

As at 31 December 2019, the aggregate fair value of the Group's investment properties amounted to RMB35,309,000,000 (2018: RMB35,930,000,000) based on the valuation performed by an independent professional valuers.

(ii) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2019, based on management's best estimates, the Group has made a provision of RMB1,499,464,000 (2018: RMB1,505,566,000) for properties under development and completed properties held for sale.

(iii) Provision for prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

As at 31 December 2019, the carrying amounts of prepayments for proposed development projects and deposits for land acquisitions are RMB23,782,080,000 (2018: RMB19,080,815,000) and RMB19,891,354,000 (2018: RMB19,445,196,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.1 Key estimation of uncertainties (Continued)

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) at the reporting date. These non–financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2019, based on management's best estimates, the Group has made a provision of RMB149,316,000 (2018: RMB149,316,000), RMB12,249,000 (2018: RMB12,249,000), RMB658,685,000 (2018: RMB658,685,000) and RMB473,361,000 (2018: nil) for property, plant and equipment, land use rights, investments in associates and intangible assets (other than goodwill) respectively.

(v) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income taxes and withholding taxes on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred tax liabilities would have been increased by the same amount of approximately RMB1,534,634,000 (2018: RMB769,786,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain of its land appreciation taxes calculation and payments with any local tax authorities in the PRC for most of its property projects. Accordingly, judgement is required in determining the amount of the land appreciation tax. The Group recognises these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.1 Key estimation of uncertainties (Continued)

(vi) Intangible assets – contracts with various sports players

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

The life of the intangible assets ranges from 1 to 4 years based on the respective sports players' contract. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the intangible asset should be impaired at the reporting date, factors such as whether the sports player will remain an active member of the playing squad and an assessment of the league that the football team will be playing in, will be taken into account.

As at 31 December 2019, the carrying amount of the intangible asset is RMB280,829,000 (2018: RMB234,870,000).

(vii) Provision for impairment of trade debtors and other receivables

Under HKFRS 9, the Group makes allowances on items subjects to ECL (including debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.13 As at 31 December 2019, the aggregate carrying amounts of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) amounted to RMB27,035,652,000 (net of ECL allowance of RMB1,142,166,000) (2018: RMB18,196,025,000 (net of ECL allowance of RMB783,164,000)).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

(viii) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. Details of impairment assessment and key assumptions are disclosed in note 21(a).

(ix) Fair value measurement of financial instruments

Financial asset at FVTPL amounting to RMB6,832,938,000 (2018: RMB6,636,349,000) as at 31 December 2019 is measured at fair value with fair value being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures regarding the fair value measurement of these financial assets are set out in note 4.3.

(x) Impairment of associates and joint ventures

The investments in associates or joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates or joint ventures, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

5.2 Critical accounting judgements

(i) Revenue recognition from sales of properties

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgements. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements, based on legal counsel opinion, to classify sales contracts into those with enforceable right to payment for performance completed to date and those without the right.

The Group recognises property development revenue over time by reference to the progress toward complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

The Group recognised sales of properties over time amounted to RMB2,011,751,000 (2018: RMB5,493,620,000) (note 6) for the year ended 31 December 2019.

(ii) Classification of financial assets at FVTPL

Note 20 describes that the investment in an unlisted entity is treated as financial assets at FVTPL although the Company has 21.98% effective equity interest in this investee. The Group is entitled to appoint a director of the investee's board of directors out of a total of seven. In making the judgement, the directors of the Company considered the majority ownership of the investee is concentrated by a major shareholder who operate the investee and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes without regard to the views of the Group and concluded that it does not have sufficient significant influence over the relevant activities of this investee or to participate in their operations. Accordingly, the investee is classified as financial assets at FVTPL.

(iii) Business combinations and control over Kaisa Health Group Holdings Limited ("Kaisa Health Group")

The Group has de facto control over Kaisa Health Group in November 2018 and since then the Group's 42.89% interest at the completion date of right issue of Kaisa Health Group (2018: 42.89%) is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. The directors of the Company assessed whether the Group has control over Kaisa Health Group based on whether the Group has the practical ability to direct the relevant activities of Kaisa Health Group unilaterally. Key judgments adopted in concluding the Group has obtained control in Kaisa Health Group are: the Group has held a majority of the voting rights exercised at Kaisa Health Group's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; the shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote; and the Group has obtained effective control over majority of the board of Kaisa Health Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The executive directors assessed the performance of each single operating segment based on a measure of segment results. Fair value loss of financial derivatives, net fair value gain/loss on financial assets at FVTPL, net gain on repurchase of senior notes, corporate and other unallocated expenses, finance income, finance costs and income tax expenses are not included in the result for each operating segment.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of property development, property investment, property management services, hotel and catering operations, cinema, department store and cultural centre operations, water-way passenger and cargo transportation operation and regarded these being the reportable segments. The healthcare business was insignificant to present as a separate segment and grouped under other operating segments.

As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market primarily in the PRC, and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

Revenue for the year ended 31 December 2019 consists of the following:

	2019 RMB'000	2018 RMB'000
Sales of properties		
– Completed properties held for sale	**40,451,657**	29,766,932
– Properties under development/proposed development project	**3,396,987**	6,313,620
	43,848,644	36,080,552
Rental income	**455,728**	278,592
Property management services	**912,299**	516,221
Hotel and catering operations	**276,862**	249,932
Cinema, department store and cultural centre operations	**664,433**	491,099
Water-way passenger and cargo transportation	**869,842**	810,634
Others	**993,877**	277,937
	48,021,685	38,704,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	43,848,644	639,332	1,356,640	309,451	723,285	897,369	2,298,426	50,073,147
Less: inter-segment revenue	–	(183,604)	(444,341)	(32,589)	(58,852)	(27,527)	(1,304,549)	(2,051,462)
Revenue from external customers	43,848,644	455,728	912,299	276,862	664,433	869,842	993,877	48,021,685
Revenue from contracts with customers								
– recognised at a point in time	41,836,893	–	–	–	–	563,360	993,877	43,394,130
– recognised over time	2,011,751	–	912,299	276,862	664,433	306,482	–	4,171,827
Revenue from other sources								
– rental income	–	455,728	–	–	–	–	–	455,728
	43,848,644	455,728	912,299	276,862	664,433	869,842	993,877	48,021,685
Segment results before net gain on disposals of subsidiaries, net gain on deemed disposals of subsidiaries, net fair value gain of investment properties and share of results of associates and joint ventures	7,610,242	(94,426)	212,451	(85,339)	(468,853)	193,706	(535,241)	6,832,540
Net gain on disposals of subsidiaries (note 41(a))	245,581	–	–	–	–	–	–	245,581
Net gain on deemed disposals of subsidiaries (note 41(b))	2,460,638	–	–	–	–	–	–	2,460,638
Net fair value gain of investment properties (note 17)	–	178,419	–	–	–	–	–	178,419
Share of results of associates	95,002	–	–	–	–	–	(2,383)	92,619
Share of results of joint ventures (note 19(b))	(180,128)	–	(412)	–	–	–	(17,157)	(197,697)
Segment results	10,231,335	83,993	212,039	(85,339)	(468,853)	193,706	(554,781)	9,612,100
Fair value loss of financial derivatives								(82,191)
Net fair value gain on financial assets at FVTPL (note 8)								1,380,931
Net gain on repurchase of senior notes (note 8)								178,438
Corporate and other unallocated expenses								(586,673)
Finance income								580,269
Finance costs								(1,615,271)
Finance costs, net (note 9)								(1,035,002)
Profit before income tax								9,467,603
Income tax expenses (note 10)								(5,303,595)
Profit for the year								4,164,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation									
– property, plant and equipment (notes 7 and 15)	80,056	4,463	6,582	25,110	7,106	43,055	22,492	827	189,691
– right-of-use assets (notes 7 and 16)	52,559	6,043	2,020	7,938	11,859	4,547	97,915	–	182,881
Amortisation of intangible assets (notes 7 and 21)	–	–	819	–	251,021	–	91,050	–	342,890
Depreciation of land use rights (notes 7 and 18)	8,515	–	–	7,898	1,745	–	–	–	18,158
Loss on disposal of investment properties (note 8)	–	193,825	–	–	–	–	–	–	193,825
Loss on disposal of deposits for land acquisitions (note 8)	40,753	–	–	–	–	–	–	–	40,753
Loss on derecognition of interest in an associate (note 8 and 19(a))	252,016	–	–	–	–	–	–	–	252,016
Impairment loss on goodwill (notes 8 and 21)	–	–	–	–	–	–	203,931	–	203,931
Impairment loss on intangible assets (notes 8 and 21)	–	–	–	–	–	–	473,361	–	473,361
Write-down of completed properties held for sale and properties under development (note 8)	367,737	–	–	–	–	–	–	–	367,737
Written off of intangible assets (note 8)	–	–	–	–	22,230	–	–	–	22,230
Written off of debtors and other receivables (note 8)	195,500	–	566	–	–	79,185	–	–	275,251

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	634,693,133	44,219,135	5,500,989	4,606,920	4,199,238	27,786,843	8,166,274	(468,077,226)	261,095,306
Unallocated									9,807,056
Total assets									270,902,362
Segment liabilities	486,880,843	6,447,349	3,065,795	4,199,199	5,118,559	20,494,836	4,757,522	(428,198,664)	102,765,439
Unallocated									112,430,350
Total liabilities									215,195,789
Other information:									
Capital expenditure (notes 15, 17 and 21)	5,140	1,164,626	7,339	9,198	340,681	120,785	173,770	–	1,821,539
Investments in associates	2,668,593	–	–	–	–	–	3,022,504	–	5,691,097
Investments in joint ventures (note 19(b))	2,326,022	–	2,520	–	–	–	60,000	–	2,388,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Total RMB'000
Revenue	36,080,552	355,253	948,587	284,014	525,184	833,696	962,829	39,990,115
Less: inter-segment revenue	–	(76,661)	(432,366)	(34,082)	(34,085)	(23,062)	(684,892)	(1,285,148)
Revenue from external customers	36,080,552	278,592	516,221	249,932	491,099	810,634	277,937	38,704,967
Revenue from contracts with customers								
– recognised at a point in time	30,586,932	–	–	–	–	516,140	–	31,103,072
– recognised over time	5,493,620	–	516,221	249,932	491,099	294,494	277,937	7,323,303
Revenue from other sources								
– rental income	–	278,592	–	–	–	–	–	278,592
	36,080,552	278,592	516,221	249,932	491,099	810,634	277,937	38,704,967
Segment results before net gain on deemed disposals of subsidiaries, fair value gain of investment properties, share of results of associates and joint ventures	7,516,709	157,920	100,144	(66,593)	(306,569)	209,450	(222,785)	7,388,276
Net gain on deemed disposals of subsidiaries (note 41(b))	2,912,593	–	–	–	–	–	–	2,912,593
Net fair value gain of investment properties (note 17)	–	212,374	–	–	–	–	–	212,374
Share of results of associates	282,202	–	–	–	–	–	(42,289)	239,913
Share of results of joint ventures (note 19(b))	(49,645)	–	–	–	–	–	919	(48,726)
Segment results	10,661,859	370,294	100,144	(66,593)	(306,569)	209,450	(264,155)	10,704,430
Net fair value loss on financial assets at FVTPL (note 8)								(271,276)
Net gain on repurchase of senior notes (note 8)								142,745
Corporate and other unallocated expenses								(633,227)
Finance income								402,511
Finance costs								(2,573,298)
Finance costs, net (note 9)								(2,170,787)
Profit before income tax								7,771,885
Income tax expenses (note 10)								(4,477,629)
Profit for the year								3,294,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other information:									
Depreciation (notes 7 and 15)	104,536	5,119	3,880	22,838	11,476	38,955	11,400	1,466	199,670
Amortisation of intangible assets (notes 7 and 21)	–	–	1,316	–	119,323	–	57,689	–	178,328
Amortisation of land use rights (notes 7 and 18)	16,222	–	–	7,423	2,143	–	–	–	25,788
Loss on disposal of investment properties (note 8)	–	7,102	–	–	–	–	–	–	7,102
Impairment loss on interest in an associate (note 8 and 19(a))	–	–	–	–	–	–	658,685	–	658,685
Waiver of other payables (note 8)	–	–	–	–	–	–	(406,326)	–	(406,326)
Write-down of completed properties held for sale and properties under development (note 8)	220,178	–	–	–	–	–	–	–	220,178
Written off of intangible assets (note 8)	–	–	–	–	7,654	–	–	–	7,654

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Hotel and catering operations RMB'000	Cinema, department store and cultural centre operations RMB'000	Water-way passenger and cargo transportation RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	426,400,365	37,780,959	4,058,636	4,290,435	2,376,480	24,518,165	1,262,151	(280,473,611)	220,213,580
Unallocated									8,814,460
Total assets									229,028,040
Segment liabilities	331,132,956	6,623,833	2,426,885	3,965,223	3,274,999	17,578,090	3,348,064	(252,153,763)	116,196,287
Unallocated									76,492,441
Total liabilities									192,688,728
Other information:									
Capital expenditure (notes 15, 17, 18 and 21)	56,412	3,529,263	301	449	92,098	109,897	131,206	–	3,919,626
Investments in associates	1,628,382	–	–	–	–	–	596,486	–	2,224,868
Investments in joint ventures (note 19(b))	339,100	–	–	–	–	–	–	–	339,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (Continued)

For the years ended 31 December 2019 and 31 December 2018, none of the Group's customer accounted for more than 10% of the Group's total revenue.

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the profit or loss.

As at 31 December 2019, segment assets of property development segment and others segment included the investments in associates accounted for using the equity method totalling approximately RMB5,770,634,000 and RMB6,148,155,000 (2018: RMB3,944,592,000 and RMB3,128,230,000) respectively. In addition, the segment assets of property development segment, property management segment and other segment included the investments in joint ventures accounted for using the equity method totalling RMB14,030,585,000, RMB2,108,000 and RMB59,632,000 (2018: RMB8,670,538,000, nil and RMB6,614,000) respectively.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, investments in joint ventures, investments in associates, goodwill and intangible assets, land use rights, properties under development, completed properties held for sale, inventories, debtors, deposits and other receivables, deposits for land acquisition, prepayments for proposed development projects, restricted cash, short-term bank deposits, long-term bank deposits, and cash and bank balances. They exclude financial assets at FVTPL, deferred tax assets and prepaid taxes.

Segment liabilities consist primarily of contract liabilities, accrued construction costs, operating borrowings and other payables. They exclude lease liabilities, deferred tax liabilities, income tax payable, corporate borrowings and derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2019 RMB'000	2018 RMB'000
Auditor's remunerations		
– Audit services	**7,000**	6,000
– Non-audit services	**2,800**	2,500
Advertising and other promotional costs	**655,115**	504,726
Agency fee	**644,043**	310,920
Depreciation/Amortisation of land use rights (note 18)	**18,158**	25,788
Amortisation of intangible assets (note 21)	**342,890**	178,328
Bank charges	**16,092**	64,161
Cost of properties sold	**31,096,871**	25,309,550
Depreciation		
– property, plant and equipment (note 15)	**189,691**	199,670
– right-of-use assets (note 16)	**182,881**	–
Direct operating expenses arising from		
– investment properties	**97,561**	42,594
– property management services	**577,056**	297,161
– hotel and catering operations	**107,518**	73,514
– cinema, department store, and cultural centre operations	**564,918**	264,301
– water-way passenger and cargo transportation	**635,350**	565,156
Donations	**188,044**	81,252
Entertainment	**99,717**	101,893
Legal and professional fees	**565,220**	257,874
Office expenses	**191,717**	165,255
Minimum lease payments under operating leases (note)	**11,378**	57,171
Others	**943,913**	744,994
Other taxes	**465,997**	298,867
Staff costs – including directors' emoluments (note 13)	**1,888,554**	1,841,222
Travelling	**46,121**	46,856
	39,538,605	31,439,753

Note: According to HKFRS 16 Leases, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss for the year ended 31 December 2019. Short-term leases are leases with a lease term of less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER GAINS AND (LOSSES), NET

	2019 RMB'000	2018 RMB'000
Dividend income received from		
– listed financial assets at FVTPL	**72**	87
– unlisted financial assets at FVTPL	**30,894**	20,858
Provision for ECL (note 4.1 (ii))	**(478,070)**	(529,332)
Forfeited customer deposits	**9,295**	5,505
Government subsidy income (note)	**83,217**	438,645
Net loss on disposals of investment properties	**(193,825)**	(7,102)
Loss on disposals of property, plant and equipment (note 37(a))	**(17,987)**	(1,463)
Loss on disposal of deposits for land acquisition	**(40,753)**	–
Net fair value gain/(loss) on financial assets at FVTPL	**1,380,931**	(271,276)
Loss on derecognition of interest in an associate (note 19(a))	**(252,016)**	–
Impairment loss on interest in an associate (note 19(a))	**–**	(658,685)
Impairment loss on intangible assets (note 21)	**(473,361)**	–
Impairment loss on goodwill (note 21)	**(203,931)**	–
Write-down of completed properties held for sale and properties under development	**(367,737)**	(220,178)
Written off of intangible assets (note 21)	**(22,230)**	(7,654)
Written off of debtors and other receivables	**(275,251)**	–
Waiver of other payables	**–**	406,326
Net gain on repurchase of senior notes (note 31(a))	**178,438**	142,745
Others	**(35,530)**	42,828
	(677,844)	(638,696)

Note:

The amount represents the subsidies received from local government bureaux in the PRC as an incentive for development in specific regions. There was no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCE COSTS – NET

	2019 RMB'000	2018 RMB'000
Finance income		
Interest income on bank deposits	**377,317**	208,600
Interest income from associates	**3,337**	3,535
Interest income from loans to third parties	**199,615**	190,376
	580,269	402,511
Finance costs		
Interest expense		
– Bank borrowings	**3,928,097**	3,755,861
– Senior notes (note 31(a))	**5,062,042**	3,007,885
– Convertible bonds (note 31(b))	**93,632**	–
– Other borrowings	**1,721,120**	2,253,666
– Lease liabilities	**71,678**	–
Total interest expense	**10,876,569**	9,017,412
Less: interest capitalised (note)	**(10,077,795)**	(7,968,385)
	798,774	1,049,027
Net exchange losses	**816,497**	1,524,271
	1,615,271	2,573,298
Finance costs – net	**(1,035,002)**	(2,170,787)

Note: The capitalisation rate of borrowings is 11.32% (2018: 13.62%) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC enterprise income tax	**2,466,161**	2,687,318
– PRC land appreciation tax	**2,559,899**	2,505,458
Deferred income tax	**277,535**	(715,147)
	5,303,595	4,477,629

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**9,467,603**	7,771,885
Share of results of associates and joint ventures, net	**105,078**	(191,187)
Profit attributable to the Company and subsidiaries	**9,572,681**	7,580,698
Calculated at PRC enterprise income tax rate of 25% (2018: 25%)	**2,393,170**	1,895,175
Effect of different income tax rates of subsidiaries	**135,020**	238,241
Income not subject to tax	**(1,255,848)**	(969,320)
Expenses not deductible for tax purposes	**68,996**	307,767
Tax losses not recognised	**1,402,358**	1,151,023
Recognition of previously unrecognised tax losses	**–**	(650,715)
PRC enterprise income tax	**2,743,696**	1,972,171
PRC land appreciation tax	**2,559,899**	2,505,458
Income tax expenses	**5,303,595**	4,477,629

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The group companies in the British Virgin Islands ("BVI") were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for the years ended 31 December 2019 and 2018 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES (Continued)

PRC withholding income tax

According to the Corporate Income Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be received on the immediate holding companies outside the PRC where their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2018: 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

11. DIVIDEND

(a) Dividends attributable to the year

	2019 RMB'000	2018 RMB'000
2019 interim dividends declared of HK3.0 cents (2018: HK3.0 cents) per share	**165,961**	153,530
Proposed 2019 final dividend of HK10.0 cents (2018: HK9.0 cents) per share	**545,262**	478,683

An interim dividend of HK3.0 cents (equivalent to approximately RMB2.53 cents) (2018: HK3.0 cents (equivalent to approximately RMB2.53 cents)) per share during the year ended 31 December 2019 was approved at the extraordinary general meeting. The aggregate amount of interim dividend declared from share premium of the Company amounted to HK$182,495,000 (equivalent to approximately RMB165,961,000) (2018: HK$182,102,000 (equivalent to approximately RMB153,530,000).

The Board recommended the payment of a 2019 final dividend of HK10.0 cents (equivalent to approximately RMB8.96 cents) per share, totalling HK$608,687,000 (equivalent to approximately RMB545,262,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, of HK9.0 cents (2018: HK11.8 cents) per share	**478,683**	603,729

A final dividend in respect of the year ended 31 December 2018 of HK9.0 cents (equivalent to approximately RMB7.89 cents) per share with a scrip dividend alternative was approved at the annual general meeting on 14 June 2019 (2018: a final dividend in respect of the year ended 31 December 2017 of HK11.8 cents (equivalent to RMB9.95 cents) per share). The aggregate amount of final dividend declared from share premium of the Company amounted to approximately HK$546,317,000 (equivalent to approximately RMB478,683,000) (2018: HK$716,082,000 (equivalent to approximately RMB603,729,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Profit attributable to owners of the Company (RMB'000)	**4,594,265**	2,750,206
Weighted average number of ordinary shares in issue	**6,079,445,127**	6,067,118,267
Basic earnings per share (RMB)	**0.756**	0.453

The calculation of basic earnings per share is based on the Group's profits attributable to owners of the Company of RMB4,594,265,000 (2018: RMB2,750,206,000) and the weighted average number of 6,079,445,127 (2018: 6,067,118,267) ordinary shares, after adjusting for the issue of shares upon exercise of share options during the year ended 31 December 2019.

(b) Diluted

	2019 RMB'000	2018 RMB'000
Profit attributable to owners of the Company	**4,594,265**	2,750,206

	2019	2018
Weighted average number of ordinary shares in issue during the year	**6,079,445,127**	6,067,118,267
Effect of issue of shares under:		
– Adjustment for share options scheme	**29,625,471**	45,258,367
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**6,109,070,598**	6,112,376,634
Diluted earnings per share (RMB)	**0.752**	0.450

Diluted earnings per share for the year ended 31 December 2019 is calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion of all dilutive potential ordinary shares (share options).

The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options. The potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to owners of the company and is not taken into account as they had an anti-dilutive effects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2019 RMB'000	2018 RMB'000
Wages and salaries	**1,380,220**	1,300,232
Discretionary bonuses	**5,535**	42,815
Contribution to pension schemes	**70,265**	61,343
Medical benefits	**32,474**	27,221
Share-based payments (note 42)	**139,961**	260,612
Other allowances and benefits	**260,099**	148,999
	1,888,554	1,841,222

Contribution to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and the maximum contribution is HK$1,500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefit of Directors) Regulations, is as follows:

	Year ended 31 December 2019					
	Fees RMB'000	Salary RMB'000 (note v)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iv)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing	–	**3,697**	–	**15**	–	**3,712**
Vice Chairman						
Mr. Sun Yuenan	–	**11,485**	**68**	**35**	**10,665**	**22,253**
Executive Directors						
Mr. Zheng Yi	–	**5,417**	**52**	**35**	**28,747**	**34,251**
Mr. Mai Fan*	–	**6,590**	**52**	**35**	**3,555**	**10,232**
Mr. Zhang Jianjun (note ii)	–	–	–	–	–	–
Mr. Weng Hao (note iii)	–	**5,149**	**53**	**39**	**2,488**	**7,729**
Non-Executive Director						
Ms. Chen Shaohuan	–	**265**	–	–	–	**265**
Independent Non-Executive Directors						
Mr. Rao Yong	**265**	–	–	–	**498**	**763**
Mr. Zhang Yizhao	**265**	–	–	–	**498**	**763**
Mr. Liu Xuesheng	**265**	–	–	–	**427**	**692**
Total	**795**	**32,603**	**225**	**159**	**46,878**	**80,660**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2018					
	Fees RMB'000	Salary RMB'000 (note v)	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share-based payments RMB'000 (note iv)	Total RMB'000
Name of director						
Chairman						
Mr. Kwok Ying Shing	–	3,556	2,588	15	–	6,159
Vice Chairman						
Mr. Sun Yuenan	–	11,671	50	40	17,302	29,063
Executive Directors						
Mr. Yu Jianqing (note i)	–	401	4	3	11,718	12,126
Mr. Zheng Yi	–	6,864	50	40	47,480	54,434
Mr. Mai Fan*	–	7,558	50	40	5,767	13,415
Mr. Zhang Jianjun (note ii)	–	2,977	2	40	10,966	13,985
Non-Executive Director						
Ms. Chen Shaohuan	–	255	–	–	–	255
Independent Non-Executive Directors						
Mr. Rao Yong	255	–	–	–	807	1,062
Mr. Zhang Yizhao	255	–	–	–	807	1,062
Mr. Liu Xuesheng	255	–	–	–	692	947
Total	765	33,282	2,744	178	95,539	132,508

* Chief executive officer of the Company

Notes:

(i) Resigned on 16 January 2018 as executive director of the Company.

(ii) Appointed on 20 March 2018 and resigned on 4 January 2019 as executive director of the Company.

(iii) Appointed on 4 January 2019 as executive director of the Company.

(iv) Share option benefits represent fair value of share options granted to the relevant director which was charged to the consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2.

(v) Salary paid to a director is generally an emolument paid or payable in respect of the person's other services in connection with the management of the affairs of the Company and its subsidiary undertakings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(a) Directors' and chief executive's emoluments (Continued)

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any director as an inducement to join or leave the Group or compensation for loss of office. There were no arrangements under which a director has waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2018: five) directors whose emoluments are reflected in note (a) above. The emoluments for the remaining two individuals (2018: nil) for the year ended 31 December 2019 are as follows:

	2019 RMB'000
Salaries and other benefits	**12,250**
Contribution to pension schemes	**23**
Share-based payments	**9,190**
	21,463

The emoluments for the remaining two individuals (2018: nil) for the year ended 31 December 2019 fell within the following bands:

	Number of Individuals 2019
HK$9,000,001 to HK$10,000,000	**1**
HK$11,000,001 to HK$12,000,000	**1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Land and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Vessels RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018								
Cost	986,520	731,689	12,550	85,680	954,726	363,324	116,433	3,250,922
Accumulated depreciation and impairment	(104,622)	(163,982)	(513)	(51,657)	(334,088)	(44,480)	–	(699,342)
Net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
Year ended 31 December 2018								
Opening net carrying amounts	881,898	567,707	12,037	34,023	620,638	318,844	116,433	2,551,580
Additions	–	26,360	14,338	17,087	137,433	65,125	47,911	308,254
Acquisitions of subsidiaries (note 40)	–	10,789	–	29	679	–	–	11,497
Transfer	–	–	–	–	–	58,146	(58,146)	–
Transfer from properties under development (note 22)	263,565	129,189	–	–	–	–	–	392,754
Disposals	–	–	(4,131)	(651)	(1,370)	(10,990)	(389)	(17,531)
Deemed disposals of subsidiaries (note 41(b))	–	–	–	(254)	(853)	–	–	(1,107)
Depreciation (notes 6 and 7)	(52,647)	(32,326)	(4,531)	(8,294)	(63,736)	(38,136)	–	(199,670)
Exchange realignment	–	–	3,963	460	764	4,916	–	10,103
Closing net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	397,905	105,809	3,055,880
At 31 December 2018								
Cost	1,250,085	898,027	26,720	84,353	1,083,752	480,521	105,809	3,929,267
Accumulated depreciation and impairment	(157,269)	(196,308)	(5,044)	(41,953)	(390,197)	(82,616)	–	(873,387)
Net carrying amounts	1,092,816	701,719	21,676	42,400	693,555	397,905	105,809	3,055,880
Year ended 31 December 2019								
Opening net carrying amounts	**1,092,816**	**701,719**	**21,676**	**42,400**	**693,555**	**397,905**	**105,809**	**3,055,880**
Additions	**–**	**24,840**	**5,781**	**5,807**	**203,919**	**73,903**	**61,558**	**375,808**
Acquisitions of subsidiaries (note 40)	**–**	**891,551**	**22,734**	**556**	**1,725**	**–**	**45,629**	**962,195**
Transfer	**–**	**–**	**–**	**–**	**–**	**65,936**	**(65,936)**	**–**
Transfer from properties under development (note 22)	**779,329**	**–**	**–**	**–**	**–**	**–**	**–**	**779,329**
Disposals	**–**	**–**	**(5,780)**	**(339)**	**(2,671)**	**(443)**	**(38,959)**	**(48,192)**
Disposals of subsidiaries (note 41(a))	**–**	**(59,437)**	**–**	**–**	**(156)**	**–**	**–**	**(59,593)**
Deemed disposals of subsidiaries (note 41(b))	**–**	**–**	**–**	**(459)**	**(62,277)**	**–**	**–**	**(62,736)**
Depreciation (notes 6 and 7)	**(48,215)**	**(31,525)**	**(7,212)**	**(8,912)**	**(51,600)**	**(42,227)**	**–**	**(189,691)**
Exchange realignment	**–**	**–**	**1,047**	**611**	**71**	**4,777**	**–**	**6,506**
Closing net carrying amounts	**1,823,930**	**1,527,148**	**38,246**	**39,664**	**782,566**	**499,851**	**108,101**	**4,819,506**
At 31 December 2019								
Cost	**2,029,414**	**1,779,576**	**97,567**	**90,318**	**1,218,033**	**620,693**	**108,101**	**5,943,702**
Accumulated depreciation and impairment	**(205,484)**	**(252,428)**	**(59,321)**	**(50,654)**	**(435,467)**	**(120,842)**	**–**	**(1,124,196)**
Net carrying amounts	**1,823,930**	**1,527,148**	**38,246**	**39,664**	**782,566**	**499,851**	**108,101**	**4,819,506**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2019, hotel properties, land and buildings with net carrying amounts of approximately RMB2,012,494,000 (2018: RMB830,432,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2019, included in hotel properties and land and buildings, there was a land and building with net carrying amounts of approximately RMB1,174,190,000 (2018: RMB315,213,000) located in Hong Kong and under medium-term lease (between 10 and 50 years), and the remaining balances of hotel properties and land and buildings of approximately RMB2,176,888,000 (2018: RMB1,479,322,000) was located in the PRC and under medium-term and long-term lease (more than 50 years).

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2019 **RMB'000**	2018 RMB'000
Cost of sales	**97,654**	95,314
Administrative expenses	**92,037**	104,356
	189,691	199,670

There was no impairment loss provided for the years ended 31 December 2019 and 2018.

16. RIGHT-OF-USE ASSETS

The amount in respect of leases are as follows:

	Motor vehicles RMB'000	**Office equipment** RMB'000	**Properties** RMB'000	**Total** RMB'000
At 1 January 2019, as previously stated	–	–	–	–
Adjustment on adoption of HKFRS 16 (note 3.1)	275	870	798,022	799,167
At 1 January 2019, as restated	**275**	**870**	**798,022**	**799,167**
Additions	**1,536**	**70**	**740,624**	**742,230**
Depreciation for the year (note 7)	**(818)**	**(354)**	**(181,709)**	**(182,881)**
At 31 December 2019	**993**	**586**	**1,356,937**	**1,358,516**

The right-of-use assets represented leases of motor vehicles, office equipment, properties (staff quarters, offices and etc), in Hong Kong and the PRC. The leases typically run for an initial period of 1 to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES

	Under construction RMB'000	Completed RMB'000	Total RMB'000
At 1 January 2018	19,935,000	12,090,830	32,025,830
Additions	3,184,620	341,719	3,526,339
Disposal	–	(18,210)	(18,210)
Transfer from completed properties held for sale (note 23)	–	183,667	183,667
Increase/(Decrease) in fair value (note 6)	395,380	(183,006)	212,374
At 31 December 2018 and 1 January 2019	**23,515,000**	**12,415,000**	**35,930,000**
Additions	**770,046**	**356,475**	**1,126,521**
Disposals	**–**	**(459,940)**	**(459,940)**
Disposals of subsidiaries (note 41(a))	**–**	**(557,000)**	**(557,000)**
Deemed disposals of subsidiaries (note 41(b))	**(560,000)**	**(349,000)**	**(909,000)**
Increase/(Decrease) in fair value (note 6)	**505,954**	**(327,535)**	**178,419**
Transfer upon completion	**(3,720,000)**	**3,720,000**	**–**
At 31 December 2019	**20,511,000**	**14,798,000**	**35,309,000**

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2019 RMB'000	2018 RMB'000
Rental income (note 6)	**455,728**	278,592
Direct operating expenses arising from investment properties that generate rental income	**97,561**	42,594

Valuation processes of the Group

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least semi-annually. For all investment properties, their current use equates to the highest and best use.

Discussions of valuation processes and results are held between the management, audit committee and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each of half year-end, the management:

- Verifies major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' estimates of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Significant inputs used to determine fair value

	2019		2018	
	Commercial	**Carpark**	Commercial	Carpark
Capitalisation rate	**3.0%-6.5%**	**6.5%**	3.0%-6.5%	6.5%
Expected vacancy rate	**0%-5%**	**N/A**	0%-5%	N/A
Monthly rental	**RMB21-594 per sq.m.**	**RMB2,300 per unit**	RMB26-590 per sq.m.	RMB2,500 per unit

Capitalisation and discount rates are estimated by the valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Fair values of commercial properties under development are generally derived using the combination of direct comparison method by making reference to the comparable market transactions for the land portion as available in the market and the income capitalisation method by capitalising market rent derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Significant inputs used to determine fair value

	2019	2018
Term yield and revisionary yield	**4.35% – 4.75%**	4.35% – 4.75%
Budgeted construction cost (RMB/sq.m.)	**312–6,078**	197–6,152
Anticipated developer's profit margin	**10% – 20%**	5% – 20%

The higher the term yield and revisionary yield, the lower the fair value.

Estimated costs to complete per square meter and developer's profit margin required are estimated by the valuer based on market conditions at the year end dates. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the estimated costs to be incurred, the lower the fair value. The higher the anticipated developer's profit margin, the higher the fair value.

As at 31 December 2019 and 2018, the fair value measurement of the Group's investment properties is categorised at level 3. During the years ended 31 December 2019 and 2018, there were no transfers into or out of level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

Fair value measurements using significant unobservable inputs (Continued)

The Group's investment properties are analysed as follows:

	2019 RMB'000	2018 RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**33,042,000**	33,817,000
Leases of over 50 years	**2,267,000**	2,113,000
	35,309,000	35,930,000

As at 31 December 2019, the investment properties amounting to RMB20,198,000,000 (2018: RMB19,365,268,000) were pledged as collateral for the Group's borrowings (note 31).

18. LAND USE RIGHTS

	2019 RMB'000	2018 RMB'000
At 1 January	**669,078**	395,815
Acquisitions of subsidiaries (note 40(b))	**13,600**	–
Disposals of subsidiaries (note 41(a))	**(30,358)**	–
Transfer from properties under development (note 22)	**119,331**	299,051
Depreciation/Amortisation – expensed in administrative expenses (note 7)	**(18,158)**	(25,788)
At 31 December	**753,493**	669,078
In PRC, held on:		
Leases of over 50 years	**21,812**	22,306
Leases of between 10-50 years	**731,681**	646,772
As 31 December	**753,493**	669,078

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel properties, self-use buildings and self-operating properties over fixed periods. Upon initial application of HKFRS 16, the prepaid lease payments for the land use rights fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets.

As at 31 December 2019, land use rights with net carrying amounts totalling RMB557,991,000 (2018: RMB268,675,000) were pledged as collateral for the Group's borrowings (note 31).

As at 31 December 2019, the provision for impairment loss of land use rights amounted to RMB12,249,000 (2018: RMB12,249,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates

	2019 RMB'000	2018 RMB'000
Cost of investments in associates, less accumulated impairment		
– Listed	**4,204,258**	2,020,256
– Unlisted	**7,594,921**	4,843,875
Share of post-acquisition profit and other comprehensive profit, net of dividend received	**119,610**	208,691
	11,918,789	7,072,822
Fair value of listed investments	**2,732,836**	1,134,144

On 28 November 2017, the Group had entered into an agreement with an independent third party to acquire 50,621,064 shares in Southern Shuanglin Bio-pharmacy Co., Ltd.* (previously known as Zhenxing Biopharmaceutical & Chemical Co., Ltd.) ("Shuanglin Bio-pharmacy") at the consideration of RMB2,186,830,000. Shuanglin Bio-pharmacy is listed in Shenzhen Stock Exchange. Shuanglin Bio-pharmacy is engaged in research, development, production and sales of blood products. During the year ended 31 December 2019, the transfer of shares had been completed. The Group is entitled to appoint two directors of Shuanglin Bio-pharmacy out of a total of nine, the directors of the opinion that the Group can exercise significant influence over Shuanglin Bio-pharmacy and recognised as an associate. The Group further acquired 343,111 shares at the consideration of RMB10,022,000. As at 31 December 2019, the Group had 18.57% equity interest in Shuanglin Bio-pharmacy.

In addition, the Group entered into a cooperation agreement with an independent third party to set up a company, namely Fuzhou Jinpeng Sheng Tian Property Development Co., Ltd. ("Fuzhou Jinpeng") (2018: Fuzhou Xin De Yuan Property Development Co. Ltd. ("Xin De Yuan") to obtain a development project for redevelopment. The Group and the independent third party injected capital of RMB2,499,000,000 and RMB2,601,000,000 (2018: RMB1,568,000,000 and RMB1,632,000,000) to Fuzhou Jinpeng (2018: Xin De Yuan), respectively. The Group had 49% equity interest in Fuzhou Jinpeng and Xin De Yuan.

During the year ended 31 December 2019, the Group filed a claim to the court against the substantial shareholder of an associate, Xing Huo Ju Long Technology Investment Co., Ltd. ("Xing Huo") that the shareholder agreement signed in the acquisition of Xing Huo in 2010 was invalid and entitled to claim back the consideration paid by the Group including the cash consideration and eight shops located in Luowo district in Shenzhen. In the opinion of the directors, the Group could not exercise significant influence and derecognise Xing Huo from the investments in associates. A loss on derecognition of interest in an associate of RMB252,016,000 (note 8) was recognised for the year ended 31 December 2019.

The remaining additions represented investments in a number of property development companies together with certain third parties. For the year ended 31 December 2018, the Group entered into agreements with third parties to acquire four immaterial associates in aggregate amounts of RMB325,238,000 and, the Group injected additional capital amounting to RMB331,630,000 into certain associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

As at 31 December 2019, the fair value of the Group's interests in associates Nam Tai Property Limited ("Nam Tai"), Kaisa JiaYun Technology Inc. ("JiaYun Technology") and Shuanglin Bio-pharmacy, which are listed in the New York Stock Exchange, Shenzhen Stock Exchange and Shenzhen Stock Exchange was RMB551,463,000, RMB546,313,000 and RMB1,635,060,000 (2018: RMB547,535,000, RMB586,609,000 and nil) respectively based on the market prices available on the respective stock exchanges, which is level 1 input in terms of HKFRS 13, Fair value measurement.

As at 31 December 2018, management has reviewed the shortfall between the carrying amount of a Shenzhen Stock Exchange listed associate, JiaYun Technology, and the market value of JiaYun Technology at the end of the reporting period. The management considers that the value in use based on discounted future cash flows of JiaYun Technology is lower than the carrying amount and the market value of JiaYun Technology, hence, impairment loss on interest in an associate amounting to RMB658,685,000 (note 8) was recognised during the year ended 31 December 2018.

As at 31 December 2019 and 31 December 2018, 101,419,425 (2018: 101,419,425) shares of JiaYun Technology were pledged as collateral for the Group's borrowings (note 31).

Set out below are details of associates of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Particular of issued and paid up capital	Proportion of the issued capital/ interest held by the Group	Principal activity
Fuzhou Jinpeng	the PRC	RMB50,000,000	49% (2018: nil)	Property development
JiaYun Technology (note i)	the PRC	RMB634,555,224 (2018: RMB634,555,224)	21.31% (2018: 21.31%)	Internet marketing
Nam Tai (note ii)	British Virgin Islands	US$257,507 (2018: US$257,507)	23.79% (2018: 24.07%)	Property development and management
Shuanglin Bio-pharmacy	the PRC	RMB272,577,599	18.57% (2018: nil)	Research, development, production and sales of blood products
Xin De Yuan	the PRC	RMB50,000,000 (2018: RMB50,000,000)	49.0% (2018: 49.0%)	Property development

Notes:

i. During the year ended 31 December 2018, JiaYun Technology held the directors' and shareholders' meeting to repurchase and cancel 1,777,760 restricted shares issued to the incentive participants. The number of issued shares of JiaYun Technology decreased from 636,332,984 shares to 634,555,224 shares. Accordingly, the Group equity's interest in JiaYun Technology is 21.31% at 31 December 2018.

ii. There was exercise of 636,000 and 445,000 share options of Nam Tai during the year ended 31 December 2018 and 2019 respectively. The number of shares of Nam Tai increased approximately from 37,551,000 shares to 38,187,000 shares during the year ended 31 December 2018 and from 38,187,000 shares to 38,632,000 shares during the year ended 31 December 2019. Accordingly, the Group's equity interest in Nam Tai are 24.07% and 23.79% at 31 December 2018 and 2019 respectively.

* The english translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

The following table illustrates the summarised financial information in respect of Fuzhou Jinpeng, Jia Yun Technology, Nam Tai, Shuanglin Bio-pharmacy and Xin De Yuan for the year/period since acquisition/capital injection, and has been adjusted to reflect the fair values of identifiable assets and liabilities of Fuzhou Jinpeng, Jia Yun Technology, Nam Tai, Shuanglin Bio-pharmacy and Xin De Yuan at the completion dates of the acquisitions by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	Fuzhou Jinpeng 2019 RMB'000	JiaYun Technology 2019 RMB'000	Nam Tai 2019 RMB'000	Shuanglin Bio-pharmacy 2019 RMB'000	Xin De Yuan 2019 RMB'000
Current assets	**5,098,740**	**2,006,707**	**4,431,800**	**832,673**	**3,199,602**
Non-current assets	**–**	**708,873**	**1,409,077**	**2,425,123**	**–**
Current liabilities	**(20)**	**(1,388,686)**	**(798,380)**	**(427,746)**	**(13)**
Non-current liabilities	**–**	**(63,722)**	**(1,434,712)**	**(318,483)**	**–**
Net assets	**5,098,720**	**1,263,172**	**3,607,785**	**2,511,567**	**3,199,589**
Reconciliation to the Group's interest in the associates:					
Proportion of the Group's ownership	**49.00%**	**21.31%**	**23.79%**	**18.57%**	**49.00%**
Carrying amount of the investment	**2,498,373**	**269,182**	**858,292**	**466,398**	**1,567,799**
Goodwill	**–**	**819,085**	**–**	**1,733,875**	**–**
Carrying amount of the Group's investment	**2,498,373**	**1,088,267**	**858,292**	**2,200,273**	**1,567,799**
Revenue for the year/period since acquisition/capital injection	**–**	**5,531,811**	**20,696**	**457,967**	**–**
Total expenses for the year/period since acquisition/capital injection	**(1,275)**	**(5,487,467)**	**(76,307)**	**(489,531)**	**(406)**
Income tax (expense)/credit for the year/period since acquisition/capital injection	**–**	**(34,533)**	**10,782**	**20,713**	**–**
(Loss)/profit for the year/period since acquisition/capital injection	**(1,275)**	**9,811**	**(44,829)**	**(10,851)**	**(406)**
Other comprehensive income/(loss) for the year/period since acquisition/capital injection	**–**	**7**	**(22)**	**–**	**–**
Total comprehensive (loss)/income for the year/period since acquisition/capital injection	**(1,275)**	**9,818**	**(44,851)**	**(10,851)**	**(406)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investments in associates (Continued)

	JiaYun Technology 2018 RMB'000	Nam Tai 2018 RMB'000	Xin De Yuan 2018 RMB'000
Current assets	1,729,583	4,065,321	3,200,008
Non-current assets	736,248	902,520	–
Current liabilities	(1,118,105)	(619,109)	(13)
Non-current liabilities	(94,372)	(696,096)	–
Net assets	1,253,354	3,652,636	3,199,995
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	21.31%	24.07%	49.0%
Carrying amount of the investment	267,090	879,189	1,567,998
Goodwill	819,085	–	–
Carrying amount of the Group's investment	1,086,175	879,189	1,567,998
Revenue for the year/period since capital injection	5,610,196	3,384	–
Total expenses for the year/period since capital injection	(5,673,417)	(173,625)	(5)
Income tax expense for the year/period since capital injection	(2,567)	–	–
(Loss)/Profit for the year/period since capital injection	(61,231)	10,994	(5)
Other comprehensive (loss)/income for the year/period since capital injection	(4,316)	(71,631)	–
Total comprehensive (loss)/income for the year/period since capital injection	(65,547)	(82,625)	(5)

The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Share of the associates profit for the year/period since acquisitions/capital injection	**104,032**	255,661
Aggregate carrying amounts of the Group's interests in these associates	**3,705,785**	3,539,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures

	2019 RMB'000	2018 RMB'000
At 1 January	**8,677,152**	6,818,118
Additions (note)	**12,720**	339,100
Transfer from subsidiaries (note 41(a) and 41(b))	**3,224,328**	1,568,660
Capital injection to joint venture (note)	**2,375,822**	–
Share of results of joint ventures	**(197,697)**	(48,726)
At 31 December	**14,092,325**	8,677,152

Notes:

During the year ended 31 December 2019, the Group entered into an agreement with the other investor to inject capital into a joint venture, Guangdong Jiasheng Property Development Co., Ltd.* ("Jiasheng") 廣東佳盛房地產開發有限公司. The Group contributed RMB2,225,806,000 to the joint venture and four immaterial joint ventures in aggregate amounts of RMB150,016,000.

For the year ended 31 December 2019, the Group entered into agreements with third parties to acquire two (2018: three) immaterial joint ventures in aggregate amount of RMB12,720,000 (2018: RMB339,100,000).

Set out below are details of joint ventures of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	Proportion of the issued capital/interest held by the Group	Principal activity
Huizhou City Kaileju Company Limited* ("Kaileju") 惠州市愷樂居置業有限公司	the PRC	51% (2018: 51%)	Property development
Guangzhou Nantian Company Limited* ("Nantian") 廣州南天商業大廣場建設發展有限公司	the PRC	50% (2018: 50%)	Property leasing and development
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奐旅遊開發有限公司"), Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司"), Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展項目")	the PRC	51% (2018: 51%)	Property development
Jiasheng	the PRC	55% (2018: 55%)	Property development
Shenzhen Nanshan Kaisa Zhiye Property Development Co. Ltd.* ("Nanshan Kaisa") 深圳市南山佳兆業置業發展有限公司	the PRC	60% (2018: 100%) (note)	Property development

Note: The Group entered into agreement with an investor for capital injection in Nanshan Kaisa. Upon capital injection by the investor, the Group's equity interest in the 100% owned subsidiary has been diluted to 60%.

* The english translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

In accordance with the joint arrangement, the decisions about relevant activities in the above entities require unanimous consent of the parties sharing control, accordingly they are classified as joint ventures of the Group. All the joint ventures in which the Group held interest are unlisted corporate entities whose quoted market prices are not available.

The Group has not incurred any contingent liabilities by other commitments relating to its investment in joint venture as at 31 December 2019 (2018: nil).

The following table illustrates of the summarised financial information in respect of Kaileju, Nantian, JVs for Dapeng Xiasha Development Project, Jiasheng and Nanshan Kaisa for the year, and has been adjusted to reflect the fair values of identifiable assets and liabilities as at the completion dates of acquisitions by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	Kaileju 2019 RMB'000	Nantian 2019 RMB'000	JVs for Dapeng Xiasha Development Project 2019 RMB'000	Jiasheng 2019 RMB'000	Nanshan Kaisa 2019 RMB'000
Current assets	**4,962,192**	**5,929,678**	**6,079,317**	**7,051,119**	**2,800,428**
Non-current assets	**651**	**47,139**	**11,038,248**	**1,280,883**	**25**
Current liabilities	**(2,620,116)**	**(3,184,516)**	**(2,842,420)**	**(893,064)**	**(103,485)**
Non-current liabilities	**(680,000)**	**(118)**	**(5,634,500)**	**(2,850,000)**	**–**
Net assets	**1,662,727**	**2,792,183**	**8,640,645**	**4,588,938**	**2,696,968**
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	**873,461**	**1,763**	**2,466**	**61,184**	**13**
Non-current financial liabilities (excluding trade and other payables and provision)	**(680,000)**	**–**	**(5,634,500)**	**(2,850,000)**	**–**
Current financial liabilities (excluding trade and other payables and provision)	**(2,222,977)**	**(1,153)**	**–**	**–**	**–**
Reconciliation to the Group's interest in the joint ventures					
Proportion to the Group's ownership	**51.0%**	**50.0%**	**51.0%**	**55.0%**	**60.0%**
Carrying amount of the Group's investment	**847,991**	**1,396,092**	**4,406,729**	**2,523,916**	**1,618,181**
Revenue	**8,767**	**14,334**	**1,072**	**10,158**	**–**
Loss and total comprehensive loss for the year/period since capital injection to obtain joint control	**(119,678)**	**(17,216)**	**(75,063)**	**(21,320)**	**(7)**
The above loss for the year/period since capital injection to obtain joint control including the following:					
Interest expenses	**31,259**	**11,175**	**–**	**–**	**–**
Depreciation	**–**	**209**	**1,311**	**–**	**–**
Income tax expenses	**14,156**	**11**	**362,000**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

	Kaileju 2018 RMB'000	Nantian 2018 RMB'000	JVs for Dapeng Xiasha Development Project 2018 RMB'000
Current assets	3,963,689	3,449,257	3,328,308
Non-current assets	546	79,020	11,858,451
Current liabilities	(731,910)	(477,149)	(1,130,901)
Non-current liabilities	(1,449,920)	(241,729)	(5,340,150)
Net assets	1,782,405	2,809,399	8,715,708
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	267,014	479	465,362
Non-current financial liabilities (excluding trade and other payables and provision)	(1,449,920)	(241,612)	(5,340,150)
Current financial liabilities (excluding trade and other payables and provision)	(476,604)	(4,443)	–
Reconciliation to the Group's interest in the joint ventures			
Proportion to the Group's ownership	51%	50%	51%
Carrying amount of the Group's investment	909,027	1,404,700	4,445,011
Revenue	–	36,440	1,746
(Loss)/Profit and total comprehensive (loss)/income for the year	(19,964)	2,811	(78,262)
The above (loss)/profit for the year including the following:			
Interest expenses	434	15,216	3,408
Depreciation	–	–	412
Income tax expenses	–	323	–

Set out below are the aggregate financial information of joint ventures that are not individually material:

	2019 RMB'000	2018 RMB'000
The Group's share of loss for the year/period since capital injection to obtain joint control	**(78,894)**	(36)
Carrying amount of the Group's interest in these joint ventures	**3,299,416**	1,918,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL include the following:

	2019 RMB'000	2018 RMB'000
Listed securities:		
Equity securities – outside Hong Kong (note i)	**258,114**	259,477
Unlisted securities:		
Equity securities – outside Hong Kong (note ii)	**7,521,077**	6,568,919
Debt securities – outside Hong Kong (note iii)	**71,200**	67,430
At 31 December	**7,850,391**	6,895,826
Less: non-current portion	**(7,807,357)**	(6,567,622)
Current portion	**43,034**	328,204

The fair value of the Group's investments in listed and unlisted securities has been measured as note 4.3.

Note:

i. The fair value measurement of such investments are classified as level 1 fair value measurement which are based on the quoted price from active markets. There was an investment in equity fund of RMB66,393,000 (2018: RMB199,131,000) which invested in automobile business had been listed during the year ended 31 December 2019. Hence, the investments in level 3 fair value measurement transferred to level 1 fair value measurement for the year ended 31 December 2018. For the year ended 31 December 2019, the Group was recognised a fair value loss of RMB81,442,000 (2018: RMB36,090,000) in respect of the fair value change in profit or loss.

ii. The unlisted equity securities mainly represented the Group's investments in (i) an unlisted equity engaged in financial service business amounting to RMB5,771,728,000 (2018: RMB4,385,010,000), (ii) unlisted equity funds which invested in class A participating shares, health care business and etc amounting to RMB1,502,788,000 (2018: RMB1,949,784,000) and (iii) other unlisted investments in private enterprises amounting to RMB246,561,000 (2018: RMB234,125,000). The Group has recognised a fair value gain of RMB1,458,603,000 (2018: loss of RMB237,557,000) in respect of the fair value changes in the profit or loss.

iii. It represented the convertible bonds receivable which were subscribed by Kaisa Health Group. The Group has recognised a fair value gain of RMB3,770,000 (2018: RMB2,371,000) in respect of the fair value changes in the profit or loss.

The Group did not have significant influence nor participate in the policy-making process and the operating and financial decisions of these unlisted investments as at and 31 December 2019 and 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Contracts with sports players RMB'000 (note b)	Trademarks and patent RMB'000 (note c)	Customer relationship RMB'000 (note c)	Technology RMB'000 (note c)	Distribution network RMB'000 (note c)	Others RMB'000	Total RMB'000
Cost								
At 1 January 2018	332,379	473,258	23,600	59,700	8,440	497,400	7,895	1,402,672
Additions	–	85,024	9	–	–	–	–	85,033
Written off	–	(28,943)	–	–	–	–	–	(28,943)
At 31 December 2018 and 1 January 2019	**332,379**	**529,339**	**23,609**	**59,700**	**8,440**	**497,400**	**7,895**	**1,458,762**
Acquisition of subsidiaries (note 40(b))	**516,701**	**–**	**288,032**	**51,399**	**–**	**–**	**–**	**856,132**
Additions	**–**	**319,210**	**–**	**–**	**–**	**–**	**–**	**319,210**
Written off	**–**	**(27,430)**	**–**	**–**	**–**	**–**	**–**	**(27,430)**
At 31 December 2019	**849,080**	**821,119**	**311,641**	**111,099**	**8,440**	**497,400**	**7,895**	**2,606,674**
Accumulated amortisation and impairment								
At 1 January 2018	–	196,435	–	–	–	–	–	196,435
Amortisation – expensed in administrative expenses (notes 7)	–	119,323	2,126	8,408	2,344	44,811	1,316	178,328
Written off	–	(21,289)	–	–	–	–	–	(21,289)
At 31 December 2018 and 1 January 2019	**–**	**294,469**	**2,126**	**8,408**	**2,344**	**44,811**	**1,316**	**353,474**
Amortisation – expensed in administrative expenses (notes 7)	**–**	**251,021**	**31,781**	**12,114**	**2,344**	**44,811**	**819**	**342,890**
Impairment charged for the year (note 8)	**203,931**	**–**	**19,348**	**42,483**	**3,752**	**407,778**	**–**	**677,292**
Written off	**–**	**(5,200)**	**–**	**–**	**–**	**–**	**–**	**(5,200)**
At 31 December 2019	**203,931**	**540,290**	**53,255**	**63,005**	**8,440**	**497,400**	**2,135**	**1,368,456**
Net carrying amounts								
At 31 December 2019	**645,149**	**280,829**	**258,386**	**48,094**	**–**	**–**	**5,760**	**1,238,218**
At 31 December 2018	332,379	234,870	21,483	51,292	6,096	452,589	6,579	1,105,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS (Continued)

Note:

(a) The Group's goodwill arose from business combinations in connection with the acquisition of (i) Kaisa Health Group, (ii) Fujian Jianke Insurance Brokers Co. Ltd.* ("Fujian Jianke"), (iii) Shenzhen Qijia Internet Technology Co. Ltd.* ("Qijia"), (iv) Shanghai Yitao Sports Culture Communication Co., Ltd.* (上海毅濤體育文化傳播有限公司) and its subsidiary (collectively referred to as "Shanghai Yitao Group"), (v) Shenzhen Football Co., Ltd. ("Shenzhen Football Club"), (vi) Qinghai Pharmaceutical Co., Ltd. * ("Qinghai Pharmaceutical"), (vii) Jiaxing Dashu Property Management Company Limited* and its subsidiaries ("Jiaxing Dashu Group") and (viii) Jiangsu Hengyuan Property Management Company Limited* and its subsidiary ("Jiangsu Hengyuan Group").

For the purpose of impairment testing, goodwill has been allocated to eight cash-generating units ("CGUs") of RMB121,493,000 (2018: RMB121,493,000) in sports operations included in cinema, department store and cultural centre operations segment, RMB286,000 (2018: RMB286,000) in entertainment operations included in cinema, department store and cultural centre operations segment, RMB473,857,000 (2018: RMB203,931,000) in healthcare operations included in other segment, RMB2,462,000 (2018: RMB2,462,000) in financial service operations included in other segment and RMB47,051,000 (2018: RMB4,207,000) in property management operations included in property management segment.

The recoverable amounts of the CGUs are determined by directors of the Company based on value-in-use calculations. These calculations use in cash flow projections in relation to the CGU of sports operations based on financial budgets approved by management covering a 5-year (2018: 5-year) period and assumed the growth rate and inflation rate of 25.7% (2018: 22.9%) per annum and 3% (2018: 3%) per annum respectively. The cash flow discounted using a pre-tax discount rate of 12% (2018: 12%) and reflects specifics risks relating to the relevant segments. The value assigned to the key assumptions on market development and discount rates are consistent with external information sources. As at 31 December 2019, the Directors of the Company conducted a review on goodwill relating to sports operation and no impairment loss in respect of goodwill has been recognised (2018: nil).

In relation to Kaisa Health Group, the recoverable amount of the CGU is determined based on fair value less costs of disposal by using the income approach (discounted cash flow method). The calculation uses cash flow projections derived from the financial budgets approved by the management covering a 5-year period with an average growth rate of 35.5% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A pre-tax discount rate of 25.6% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. During the year ended 31 December 2019, the directors of the Company reviewed the carrying amounts of CGUs and identified that the recoverable amounts of CGUs, were less than their carrying amounts of assets of CGUs. Accordingly, the carrying amounts of the goodwill and the intangible assets were reduced to their recoverable amounts and impairment loss of approximately RMB203,931,000 and RMB473,361,000 respectively had been recognised in the profit or loss for the year ended 31 December 2019.

As at 31 December 2018, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management for the year ending 31 December 2019 and the following four years based on average growth rate of 35.5% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A discount rate of 19.0% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As at 31 December 2018, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised.

In relation to Qinghai Pharmaceutical, the recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses the five-year cash flow projections based on financial budgets approved by the management with an average growth rate of 20% per annum. Cash flows beyond the five-year period are extrapolated using 3% growth rate. A pre-tax discount rate of 18.01% is used for this CGU and derived using risk-free rate, the market returns and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated based on past practices and expectations of future changes in the market. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As at 31 December 2019, the Directors of the Company conducted a review on goodwill and no impairment loss in respect of goodwill has been recognised.

(b) The amounts represent the costs to acquire sports players' contracts or to extend their contracts, including the related agent's fees. The amortisation period ranged from 1 to 5 (2018: 1 to 4) years.

(c) The trademarks and patent, customer relationship and distribution network were measured at their fair values at the date of acquisition and the valuation of the intangible assets is performed by an independent professional valuer not related to the Group. The fair value of these intangible assets at the date of acquisition was determined based on the income approach by estimating the future income arising from these intangible assets and the cost approach by reference to the financial information provided by the Group. The expected useful lives of these intangible assets ranged from 5 to 11 (2018: 5 to 11) years.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Amount comprises:		
Construction costs	**14,905,213**	11,767,912
Interest capitalised	**12,268,356**	11,843,586
Land use rights	**36,804,009**	41,520,753
	63,977,578	65,132,251
Less: Provisions for properties under development	**(302,832)**	(367,913)
	63,674,746	64,764,338

The properties under development were located in the PRC and are stated at cost.

Included in properties under development, there are land use rights as follow:

	2019 RMB'000
Short leases (less than 10 years)	**110,721**
Medium leases	**26,843,008**
Long leases	**9,850,280**
	36,804,009

During the year ended 31 December 2019, certain items of the Group's properties under development with an aggregate carrying value of approximately RMB779,329,000 (2018: RMB392,754,000) (note 15) and RMB119,331,000 (2018: RMB299,051,000) (note 18) were transferred to property, plant and equipment and land use rights respectively.

For the year ended 31 December 2019, properties under development of RMB1,700,000 were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC (2018: provision of RMB75,831,000 were reversed to increase in net realisable value of certain completed properties). In addition, the provision for properties under development of RMB66,781,000 (2018: RMB36,425,000) in aggregate were transferred to the provision for completed properties held for sale (note 23).

As at 31 December 2019, the net aggregate amount of properties under development of approximately RMB42,060,748,000 (2018: RMB43,079,449,000) were pledged as collateral for the Group's borrowings (note 31).

23. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Completed properties held for sale	**14,200,506**	14,268,187
Less: Provision for completed properties held for sale	**(1,196,632)**	(1,137,653)
Balance as at 31 December	**13,003,874**	13,130,534

The completed properties held for sale were located in the PRC under medium-term and long-term lease. Completed properties held for sale which are expected to be recovered in more than twelve months after the reporting date are classified under current assets as it is expected to be realised in the Group's normal operating cycle.

During the year ended 31 December 2018, certain items of the Group's completed properties held for sale with an aggregate carrying value of approximately RMB183,667,000 (note 17) were transferred to investment properties.

For the year ended 31 December 2019, completed properties held for sale of RMB366,037,000 (2018: RMB296,009,000) were impaired to reflect the decrease in net realisable value of certain completed properties located in certain regions of the PRC. In addition, the provision for completed properties held for sale of RMB66,781,000 (2018: RMB36,425,000) in aggregate were transferred from the provision for properties under development (note 22) during the year ended 31 December 2019.

As at 31 December 2019, the net aggregate amount of completed properties held for sale of approximately RMB5,913,860,000 (2018: RMB7,267,213,000) were pledged as collateral for the Group's borrowings (note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade debtors – net (note a)	**1,273,050**	1,009,283
Other receivables (note b)	**6,939,681**	7,021,735
Other deposits (note b)	**2,792,052**	2,973,288
Prepayments (note d)	**4,106,237**	3,542,639
Prepaid other taxes	**2,873,176**	2,514,359
Restricted deposit for borrowings from non-financial institution (note b)	**1,960,203**	1,969,293
Amounts due from associates (note b)	**4,043,116**	4,045,190
Amounts due from joint ventures (note b)	**7,292,123**	891,612
Amount due from non-controlling interests of subsidiaries (note b)	**3,805,121**	1,045,318
	33,811,709	24,003,434
Less: allowance for impairment (note c)	**(1,069,694)**	(759,694)
Deposits, prepayments and other receivables – net	**32,742,015**	23,243,740
Total debtors, deposits and other receivables – net	**34,015,065**	24,253,023
Less: non-current portion		
Other receivables (note b)	**(553,500)**	(744,046)
Other deposits (note b)	**–**	(908,806)
Non-current portion	**(553,500)**	(1,652,852)
Current portion	**33,461,565**	22,600,171

As at 31 December 2019 and 2018, the carrying amounts of debtors, deposits, other receivables, amounts due from associates, amounts due from joint ventures and amount due from non-controlling interests of subsidiaries approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade debtors mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade debtors based on contractual terms as at the respective reporting dates is as follows:

	2019 RMB'000	2018 RMB'000
Within 90 days	**894,543**	730,411
Over 90 days and within 180 days	**37,554**	24,598
Over 180 days and within 270 days	**270,500**	50,376
Over 270 days and within 365 days	**22,999**	5,841
Over 365 days	**119,926**	221,527
	1,345,522	1,032,753
Less: allowance for impairment (note c)	**(72,472)**	(23,470)
	1,273,050	1,009,283

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB72,472,000 was made against the gross amount of trade receivables (2018: RMB23,470,000) (note 4.1(ii)).

Generally, no credit terms were granted to the customers of residential properties. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers as at 31 December 2019.

Included in the Group's trade debtors of RMB247,885,000 were due over 180 days and within 270 days (2018: RMB408,243,000 were not yet due) as at 31 December 2019. The balances mainly represented receivables from sales of commercial and residential properties and property under development to independent third parties. These receivables were repayable within one month (2018: six months to nine months) after the completion of certain legal documents, which were expected to be settled in the next year.

Receivables that were past due but not impaired related to the balances primarily represented receivables from residential properties to independent third parties of which the majority of the balances were due from customers in the process of applying mortgage loans.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) Details of deposits and other receivables are as follows:

	2019 RMB'000	2018 RMB'000
Other receivables (note i)	**6,939,681**	7,021,735
Other deposits (note ii)	**2,792,052**	2,973,288
Restricted deposit for borrowings from non-financial institution (note iii)	**1,960,203**	1,969,293
Amounts due from associates (note iv)	**4,043,116**	4,045,190
Amounts due from joint ventures (note iv)	**7,292,123**	891,612
Amount due from non-controlling interests of subsidiaries (note iv)	**3,805,121**	1,045,318
	26,832,296	17,946,436
Less: allowance for impairment (note c)	**(1,069,694)**	(759,694)
Deposits, prepayment and other receivables – net	**25,762,602**	17,186,742

(i) These receivables mainly included bills receivables, interest receivables and amounts to be refunded by the government in relation to the land acquisition in the PRC.

As at 31 December 2019, there are other receivables amounting to RMB490,790,000 (2018: RMB1,370,176,000) are unsecured, carry at interest rate ranging from 12.0% to 15.0% (2018: 3.8% to 12.0%) p.a. and repayable in 2020 (2018: 2019).

Included in other receivables, those which are repayable over 1 year amounting to RMB553,500,000 (2018: RMB744,046,000) are classified as non-current assets.

(ii) Other deposits mainly represented deposits for acquisitions of subsidiaries amounted to RMB20,000,000 (2018: RMB279,040,000), acquisitions of associate amounted to nil (2018: RMB629,766,000), refundable deposit to redevelopment project partner for the purpose of the project amounted to RMB548,996,000 (2018: RMB1,007,361,000) and other deposits amounted to RMB2,223,056,000 (2018: RMB1,057,121,000).

(iii) The amount represented non-interest bearing deposit restricted for borrowings from non-financial institution.

(iv) The amounts are unsecured, interest-free and repayable on demand, and expected to be recovered within 12 months from the reporting date and is therefore classified as current assets.

(v) The carrying amounts of the Group's receivables are mainly denominated in RMB and US$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(c) Impairment losses in respect of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) directly. The movement in the allowance for impairment of debtors, deposits and other receivables (excluding prepayments and prepaid other taxes) is disclosed in note 4.1(ii).

(d) Prepayments mainly represent prepayments for purchase of construction materials and services.

(e) The maximum credit risk exposure is the amount shown on the consolidated statement of financial position.

25. DEPOSITS FOR LAND ACQUISITION

Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained. The carrying amounts of the Group's deposits for land acquisition are mainly denominated in Renminbi.

26. PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties and has made prepayments in accordance with the terms of these respective contracts. These prepayments would be converted into properties under development upon the completion of the contracts.

27. RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain subsidiaries of the Group engaged in property development are required to place in designated bank accounts certain amount of proceeds from pre-completion sale of properties as guaranteed deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and construction of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2019, such guaranteed deposits amounted to RMB2,877,310,000 (2018: RMB3,707,171,000). They will be released after the construction of the relevant properties is completed or the related property ownership certificates are issued, whichever is earlier.

(b) As at 31 December 2019, the Group's cash of RMB2,267,537,000 (2018: RMB160,656,000) was deposited in certain banks as guaranteed deposits for the benefit of mortgage loan facilities (note 38) granted by the banks to the purchasers of the Group's properties.

(c) As at 31 December 2019, the Group's cash of RMB832,582,000 (2018: RMB2,916,332,000) was deposited in certain banks as guaranteed deposits for borrowings (note 31).

(d) As at 31 December 2019, the Group's cash of RMB39,026,000 (2018: RMB8,133,000) was deposited in certain banks as guaranteed deposits for issuance of bills payables and settlement of tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. LONG-TERM BANK DEPOSITS, RESTRICTED CASH, SHORT-TERM BANK DEPOSITS AND CASH AND BANK BALANCES

	2019 RMB'000	2018 RMB'000
Long-term bank deposits	**1,600,000**	400,000
Restricted cash (note 27)	**6,016,455**	6,792,292
Short-term bank deposits	**2,536,724**	252,718
Cash and bank balances	**26,824,859**	15,479,139
	36,978,038	22,924,149

Note:

The effective interest rates and maturities of bank deposits in the PRC are ranged from 1.55% to 3.85% (2018: 1.95% to 3.85%) per annum and from 1 month to 53 months (2018: 14 days to 36 months) as at 31 December 2019.

As at 31 December 2019, short-term bank deposits of RMB200,000,000 (2018: RMB200,000,000) were pledged as collateral for the Group's borrowings (note 31).

Long-term bank deposits, restricted cash, short-term bank deposits and cash and bank balances are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
Denominated in – RMB	**33,958,455**	22,399,434
Denominated in – HK$	**342,984**	250,387
Denominated in – US$	**2,660,833**	262,589
Denominated in – EUR	**15,766**	11,739
	36,978,038	22,924,149

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTRACT LIABILITIES

The amount of RMB39,388,659,000 (2018: RMB39,154,089,000) represents deposits and instalments received on properties sold to independent third parties after the issuance of pre-sale certificates by local government authorities.

30. LEASE LIABILITIES

	2019 RMB'000
Total minimum lease payments:	
Due within one year	**241,716**
Due in the second to fifth years	**703,205**
Due after the fifth years	**1,045,943**
	1,990,864
Future finance charges on leases liabilities	**(604,565)**
Present value of leases liabilities	**1,386,299**
Present value of minimum lease payments	
Due within one year	**159,694**
Due in the second to fifth years	**450,364**
Due after the fifth years	**776,241**
	1,386,299
Less:	
Portion due within one year included under current liabilities	**(159,694)**
Portion due after one year included under non-current liabilities	**1,226,605**

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set our in note 3.

During the year ended 31 December 2019, the total cash outflows for the leases and short-term leases and low-value assets are RMB238,514,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for motor vehicles, office equipment and properties.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particular
Motor vehicles	Right-of-use assets	21	1 to 2 years	• Certain lease contracts contain an option to renew the lease for additional year after the end of the contract by giving one month notice to landlord before the end of the contract • Certain lease contracts contain an option to terminate the lease by giving liquidated damages • Leases subject to fixed payment/ quarterly/biannually/annually rental payment
Office equipment	Right-of-use assets	49	1 to 5 years	• Certain contracts contain an option to terminate the lease by giving liquidated damages • Certain contracts contain an option to purchase the office equipment at the end of the lease term • Certain contracts contain additional variable lease payments depends on the usage during the contract period • Leases subject to monthly/quarterly/ biannually/annually rental payment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. LEASE LIABILITIES (Continued)

Details of the lease activities (Continued)

As at 31 December 2019, the Group has entered into leases for motor vehicles, office equipment and properties. (Continued)

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particular
Properties (including warehouse, staff quarters, offices and etc)	Right-of-use assets	1,105	1 to 20 years	• Certain leases contracts contain an option to renew the leases for additional one to three years after the end of contracts by giving one to six months' notice to landlord before the end of lease contracts • Certain leases contracts contain an option to purchase the properties at the end of lease term • Lease contracts subject to monthly/ quarterly/biannually/annually rental payment.
Land use rights	Land use rights	26	15 to 65 years	Nil

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	Notes	2019 RMB'000	2018 RMB'000
Borrowings included in current liabilities:			
Senior Notes	(a)	**3,663,743**	2,963,540
Bank borrowings – secured	(c)	**19,263,692**	2,893,985
Bank borrowings – unsecured	(c)	**1,167,308**	1,629,373
Other borrowings – secured	(c)	**6,492,249**	4,490,557
Other borrowings – unsecured	(c)	**1,191,225**	3,638,908
Loan from a related company	(d)	**108,781**	108,781
Loans from associates	(e)	**5,000**	1,240,550
		31,891,998	16,965,694
Borrowings included in non-current liabilities:			
Senior Notes	(a)	**52,755,120**	36,763,326
Convertible Bonds	(b)	**699,900**	–
Bank borrowings – secured	(c)	**17,243,728**	34,902,751
Bank borrowings – unsecured	(c)	**2,343,930**	6,510,020
Other borrowings – secured	(c)	**9,692,786**	12,407,961
Other borrowings – unsecured	(c)	**2,568,090**	1,216,200
		85,303,554	91,800,258
Total borrowings		**117,195,552**	108,765,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes:

(a) Senior Notes

The Group has issued the following senior notes:

	Issue date	As at 1 January 2018	New issuance	Repurchase	As at 31 December 2018 and 1 January 2019	New issuance	Repurchase/ repayment	As at 31 December 2019	Issue price
Par value									
2019 12.0% Notes (US$'000)	14 December 2018	–	300,000	–	300,000	–	(300,000)	–	100% at face value
2020 7.25% Notes (US$'000)	30 June 2017 and 4 May 2018	460,000	330,000	–	790,000	–	(250,000)	**540,000**	100% at face value
2021 7.875% Notes (US$'000)	30 June 2017 and 11 December 2018	325,000	250,000	–	575,000	–	(175,000)	**400,000**	100% at face value
2021 11.75% Notes (US$'000)	26 February 2019	–	–	–	–	400,000	–	**400,000**	99.567% at face value
2022 8.5% Notes (US$'000)	30 June 2017	1,255,000	–	(108,000)	1,147,000	–	–	**1,147,000**	100% at face value
2022 11.25% Notes – tranche I (US$'000)	9 April 2019	–	–	–	–	350,000	–	**350,000**	99.69% at face value
2022 11.25% Notes – tranche II * (US$'000)	2 July 2019	–	–	–	–	200,000	–	**200,000**	102.926% at face value
2022 11.95% Notes – tranche I (US$'000)	22 October 2019	–	–	–	–	400,000	–	**400,000**	99.265% at face value
2022 11.95% Notes – tranche II ** (US$'000)	1 November 2019	–	–	–	–	200,000	–	**200,000**	100.790% at face value
2023 10.875% Notes – tranche I (US$'000)	23 July 2019	–	–	–	–	300,000	–	**300,000**	99.604% at face value
2023 10.875% Notes – tranche II *** (US$'000)	13 November 2019	–	–	–	–	150,000	–	**150,000**	96.6825% at face value
2023 11.5% Notes – tranche I (US$'000)	30 May 2019	–	–	–	–	400,000	–	**400,000**	99.567% at face value
2023 11.5% Notes – tranche II **** (US$'000)	24 June 2019	–	–	–	–	300,000	–	**300,000**	100.79% at face value
2023 11.95% Notes – tranche I (US$'000)	12 November 2019	–	–	–	–	300,000	–	**300,000**	100.269% at face value
2024 9.375% Notes (US$'000)	30 June 2017	3,119,000	–	(67,500)	3,051,500	–	–	**3,051,500**	100% at face value
Total (US$'000)		5,159,000	880,000	(175,500)	5,863,500	3,000,000	(725,000)	**8,138,500**	
Amortised cost (US$'000)		5,020,993			5,640,069			**7,943,372**	
Par value									
2019 6.1% Private Notes (HK$'000)		2,325,000	–	(1,163,000)	1,162,000	–	(1,162,000)	–	
Amortised cost (HK$'000)		2,326,546			1,161,773			–	
Total amortised cost (RMB'000)		34,752,933			39,726,866			**56,418,863**	

* 2022 11.25% Notes – tranche II was consolidated and form a single series with the 2022 11.25% Notes – tranche I.

** 2022 11.95% Notes – tranche II was consolidated and form a single series with the 2022 11.95% Notes – tranche I.

*** 2023 10.875% Notes – tranche II was consolidated and form a single series with the 2023 10.875% Notes – tranche I.

**** 2023 11.5% Notes – tranche II was consolidated and form a single series with the 2023 11.5% Notes – tranche I.

Except for the 2019 6.1% Private Notes, all of above senior notes are listed on the Singapore Exchange Securities Trading Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(a) Senior Notes (Continued)

The major terms and conditions of the senior notes include early redemption options of the Company and the repurchase of the senior notes upon a change of control. Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition as at 31 December 2019 and 2018.

The senior notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside the PRC, and are jointly and severally guaranteed by certain subsidiaries of the Group.

The movement of the Senior Notes is as follow:

	2019 RMB'000	2018 RMB'000
Carrying amount as at 1 January	**39,726,866**	34,752,933
Accrued interests (note 9)	**5,062,042**	3,007,885
Interests paid	**(3,693,926)**	(3,353,695)
Repurchase/repayment of Senior Notes	**(6,087,357)**	(2,157,866)
Senior Notes recognised	**20,872,250**	5,862,362
Transaction costs	**(222,251)**	(224,774)
Exchange difference	**761,239**	1,840,021
Carrying amount as at 31 December	**56,418,863**	39,726,866

During the year ended 31 December 2019, the Company repurchased US$250,000,000 of the 2020 7.25% Notes (equivalent to approximately RMB1,683,375,000), US$175,000,000 of the 2021 7.875% Notes (equivalent to approximately RMB1,351,400,000), and the 2019 6.1% Private Notes (equivalent to approximately RMB1,079,206,000), and repaid the 2019 12.0% Notes (equivalent to approximately RMB1,973,376,000) resulted a gain on repurchase of senior notes of approximately RMB178,438,000 (note 8). The repurchase did not constitute a substantial modification.

(b) Convertible Bonds

On 14 January 2019, the Company issued 10.5% convertible bonds at an aggregate principal amount of US$100,000,000 (equivalent to approximately RMB643,496,000) (the "Convertible Bonds") which will be matured on 14 July 2021 (the "Maturity Date"). The Convertible bonds are denominated in United States dollars and are secured by the shares of the Company and certain subsidiaries of the Group. The Convertible Bonds entitle the holders to convert them into ordinary shares of the Company at any time starting from 41 days after the date of issue of the Convertible Bonds to 10 days before the Maturity Date at a conversion price of HK$5 per share (translated into HK$ at a fixed rate of exchange equal to US$1.00: HK$7.83) subject to antidilutive adjustments. The conversion price of the Convertible Bonds was adjusted to HK$4.86 per share with effect from 25 June 2019, pursuant to the terms and conditions of the Convertible Bonds, as a result of the approval by the shareholders of a final dividend of HK9.0 cents per share for the year ended 31 December 2018. The conversion price of the Convertible Bonds was further adjusted to HK$4.82 per share with effect from 5 December 2019, pursuant to the terms and conditions of the Convertible Bonds, as a result of the approval by the shareholders of an interim dividend of HK3.0 cents per share for the year ended 31 December 2019. Neither the Company nor the holders of the Convertible Bonds may demand early redemption. The terms of Convertible Bonds do not satisfy the "fixed for fixed" rule in HKFRS 9. The proceeds of the Convertible Bonds were allocated into two components, debt and financial derivative elements on initial recognition. The Convertible Bond bears interest at 10.5% per annum on the outstanding principal amount and would be payable semi-annually in arrears until the Convertible Bonds are converted or matured. As at 31 December 2019, there has been no conversion of the Convertible bonds. The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(b) Convertible Bonds (Continued)

The Convertible Bonds was recognised as embedded financial derivatives and debt component as follows:

- Embedded financial derivatives comprise the fair value of the option of the holders of the Convertible bonds to convert the Convertible Bonds into ordinary shares of the Company at the conversion price.
- Debt component initially recognised at the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

The movement of the liability and embedded derivatives components of the Convertible Bonds for the year is set out below:

	Liability component RMB'000	Embedded derivatives component RMB'000 (note 33)	Total RMB'000
At the date of issuance	643,496	44,424	687,920
Transaction costs	(10,296)	(711)	(11,007)
Interest expense (note 9)	93,632	–	93,632
Interest paid	(37,133)	–	(37,133)
Fair value changes	–	38,478	38,478
Exchange difference	10,201	616	10,817
As at 31 December 2019	**699,900**	**82,807**	**782,707**

The major inputs used in the binomial models as at the inception date and year ended date were as follows:

	At 14 January 2019	At 31 December 2019
Stock price	HK$2.28	HK$2.27
Conversion price	HK$5.00 per share	HK$4.82 per share
Time to maturity	2.5 years	1.54 years
Risk-free rate	2.18%	2.04%
Expected volatility	56.07%	50.84%

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(c) Bank and other borrowings

The Group's bank and other borrowings of RMB52,692,455,000 (2018: RMB54,695,254,000) were secured by certain properties, investment properties, land use rights, properties under development, completed properties held for sale, restricted cash and short-term bank deposits of the Group (notes 15, 17, 18, 22, 23, 27 and 28) and shares of certain of the Group's subsidiaries and associates.

The pledged assets for the Group's bank and other borrowings are as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment (note 15)	**2,012,494**	830,432
Investment properties (note 17)	**20,198,000**	19,365,268
Land use rights (note 18)	**557,991**	268,675
Properties under development (note 22)	**42,060,748**	43,079,449
Completed properties held for sale (note 23)	**5,913,860**	7,267,213
Short-term bank deposits (note 28)	**200,000**	200,000
Restricted cash (note 27)	**832,582**	2,916,332
	71,775,675	73,927,369

The Group's bank and other borrowings are guaranteed by certain subsidiaries of the Group:

	2019 RMB'000	2018 RMB'000
Group companies		
– guaranteed and secured by the Group's assets	**52,292,555**	50,973,305
– guaranteed by the Company	**4,335,481**	10,192,532
	56,628,036	61,165,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

(d) Loan from a related company

The amount due is unsecured, carries interest rate at 12.0% (2018: 12.0%) per annum and is repayable on demand. The related company is controlled by a substantial shareholder of the Company.

(e) Loans from associates

The amounts due are unsecured, carries interest rates at 12.0% (2018: 12.0%) per annum and is repayable within one year.

(f) The weighted average effective interest rates at each of the reporting dates were as follows:

	2019 RMB'000	2018 RMB'000
Bank borrowings, included in non-current liabilities	**7.0%**	7.3%
Bank borrowings, included in current liabilities	**6.6%**	7.2%
Other borrowings, included in non-current liabilities	**11.8%**	11.1%
Other borrowings, included in current liabilities	**10.7%**	10.5%
Loans from associates, included in current liabilities	**12.0%**	10.9%
Loan from a related company, included in current liabilities	**12.0%**	12.0%
Senior Notes	**10.7%**	10.1%
Convertible Bonds	**13.5%**	–

(g) The amounts of the Group's borrowings are denominated in RMB except for Senior Notes, Convertible Bonds and certain bank and other borrowings with aggregate amounts of RMB58,827,932,000 and RMB1,265,318,000 (2018: RMB39,978,614,000 and RMB1,701,382,000), which are denominated in US$ and HK$ respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Other payables and accruals (note i)	**6,127,111**	8,731,821
Accrued interest	**778,910**	966,236
Accrued staff costs	**347,694**	299,257
Bills payables	**735,712**	795,197
Consideration payables related to acquisitions of subsidiaries	**231,810**	1,749,902
Consideration payables related to acquisitions of associate and joint venture	**1,583,942**	1,178,500
Consideration payables related to financial assets at FVTPL	**687,454**	1,441,772
Deed tax and other taxes payables	**2,449,279**	877,287
Deposits received	**500,692**	295,861
Amounts due to associates (note ii)	**2,087,243**	1,018,000
Amounts due to joint ventures (note ii)	**11,011,816**	2,246,498
Amounts due to non-controlling interests of subsidiaries (note ii)	**479,907**	316,931
	27,021,570	19,917,262
Less: non-current portion		
Consideration payable related to acquisition of a subsidiary	**(10,248)**	–
Current portion	**27,011,322**	19,917,262

Notes:

(i) Other payables and accruals mainly included deposits received from construction companies, accrued operating expenses and advance from third parties for operations and amounts due to former shareholders in relation to newly acquired subsidiaries which are interest-free, unsecured and repayable on demand.

Included in other payables and accruals, there were payables amounting to RMB1,200,000,000 secured by non-interest bearing deposit of US$289,355,000 (approximately equivalent to RMB1,969,293,000) (note 24). The remaining balances are interest-free, unsecured and repayable on demand.

(ii) The amounts due are unsecured, interest-free and repayable on demand.

(iii) The carrying amounts of other payables are denominated in RMB and approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Embedded financial derivatives of convertible bonds (note 31(b))	**82,807**	–

A valuation on the embedded derivatives of the convertible bonds has been performed by an independent qualified valuer at the date of issuance and 31 December 2019, the binomial model is used in the valuation of the embedded financial derivatives. A fair value loss of RMB82,191,000 was recognised in profit and loss for the year ended 31 December 2019.

34. DEFERRED INCOME TAX

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**864,268**	784,310
Deferred tax liabilities	**(4,886,993)**	(4,478,563)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(3,694,253)**	(4,401,946)
Acquisitions of subsidiaries (note 40(b))	**(157,300)**	–
Disposals of subsidiaries (note 41(a))	**46,946**	–
Deemed disposals of subsidiaries (note 41(b))	**59,417**	(7,454)
Recognised in profit or loss (note 10)	**(277,535)**	715,147
End of the year	**(4,022,725)**	(3,694,253)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. DEFERRED INCOME TAX (Continued)

Deferred tax assets arose from:

	Temporary difference arising from debtors, deposits and other receivables RMB'000	Tax losses RMB'000	Total RMB'000
Balance as at 1 January 2018	63,459	96,295	159,754
Deemed disposals of subsidiaries (note 41(b))	–	(7,454)	(7,454)
Credited to profit or loss	70,135	650,715	720,850
At 31 December 2018 and 1 January 2019	**133,594**	**739,556**	**873,150**
Acquisitions of subsidiaries (note 40(b))	**–**	**1,190**	**1,190**
Credited to profit or loss	**136,387**	**663**	**137,050**
At 31 December 2019	**269,981**	**741,409**	**1,011,390**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB15,269,940,000 (2018: RMB13,867,582,000) that can be carried forward against future taxable income. These tax losses have no expiry date except that approximately RMB717,296,000 (2018: RMB525,608,000) will expiry from 2020 to 2024 (2018: 2019 to 2023).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities arose from:

	Properties acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Revaluation of investment properties RMB'000	Fair value of financial assets at FVTPL RMB'000	Total RMB'000
Balance as at 1 January 2019	34,389	99,269	4,303,146	161,049	4,597,853
Charged/(credited) to profit or loss	–	–	53,094	(58,797)	(5,703)
At 31 December 2018 and 1 January 2019	**34,389**	**99,269**	**4,356,240**	**102,252**	**4,592,150**
Acquisitions of subsidiaries (note 40(b))	**–**	**158,490**	**–**	**–**	**158,490**
Disposals of subsidiaries (note 41(a))	**–**	**–**	**(46,946)**	**–**	**(46,946)**
Deemed disposals of subsidiaries (note 41(b))	**–**	**–**	**(59,417)**	**–**	**(59,417)**
Charged to profit or loss	**–**	**–**	**44,605**	**345,233**	**389,838**
At 31 December 2019	**34,389**	**257,759**	**4,294,482**	**447,485**	**5,034,115**

At 31 December 2019, the unrecognised deferred tax liabilities were RMB1,534,634,000 (2018: RMB769,786,000) relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2019 amounted to RMB30,692,686,000 (2018: RMB15,395,720,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HK$0.10 each					
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:					
At 1 January 2018	6,063,730,329	606,373	532,865	6,913,069	7,445,934
Issue of shares upon exercise of share options (notes (a) and 42(a))	5,284,000	528	424	8,989	9,413
Dividend paid (note 11)	–	–	–	(757,259)	(757,259)
Issue of shares as a result of scrip dividends (note b)	1,179,368	118	100	3,808	3,908
At 31 December 2018 and 1 January 2019	**6,070,193,697**	**607,019**	**533,389**	**6,168,607**	**6,701,996**
Issue of shares upon exercise of share options (notes (a) and 42(a))	**16,673,000**	**1,667**	**1,455**	**22,598**	**24,053**
Dividend paid (note 11)	**–**	**–**	**–**	**(644,644)**	**(644,644)**
At 31 December 2019	**6,086,866,697**	**608,686**	**534,844**	**5,546,561**	**6,081,405**

Changes in the share capital of the Company during the years ended 31 December 2019 and 2018 are as follows:

(a) For the year ended 31 December 2019, 16,673,000 (2018: 5,284,000) shares were issued upon exercise of share options. Total proceeds were HK$27,558,000 (equivalent to approximately RMB24,053,000) (2018: HK$9,459,000 (equivalent to approximately RMB9,413,000)). The weighted average share price at the time of exercise was HK$1.443 (2018: HK$1.576) per share. The related transactions costs were deducted from the proceeds received.

(b) During the year ended 31 December 2018, 1,179,368 new shares were issued by the Company at HK3.16 cents per share for the settlement of 2018 final scrip dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. THE GROUP'S RESERVES

	Merger reserve RMB'000 (note a)	Exchange reserve RMB'000	Statutory reserves RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Retained earnings RMB'000	Total RMB'000
Balance as at 1 January 2018	382	23,243	959,537	167,972	(482,766)	11,273,618	11,941,986
Profit for the year	–	–	–	–	–	2,750,206	2,750,206
Other comprehensive loss for the year	–	(15,812)	–	–	–	–	(15,812)
Total comprehensive (loss)/income for the year	–	(15,812)	–	–	–	2,750,206	2,734,394
Acquisition of non-controlling interests	–	–	–	–	3,849	–	3,849
Issue of shares upon exercise of share options	–	–	–	(2,727)	–	–	(2,727)
Share-based payments (note 42(a))	–	–	–	260,612	–	–	260,612
Share options lapsed	–	–	–	(8,366)	–	8,366	–
Transfer to statutory reserves	–	–	6,009	–	–	(6,009)	–
Balance at 31 December 2018 and 1 January 2019	**382**	**7,431**	**965,546**	**417,491**	**(478,917)**	**14,026,181**	**14,938,114**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**4,594,265**	**4,594,265**
Other comprehensive loss for the year	**–**	**(15,449)**	**–**	**–**	**–**	**–**	**(15,449)**
Total comprehensive (loss)/income for the year	**–**	**(15,449)**	**–**	**–**	**–**	**4,594,265**	**4,578,816**
Deemed disposal of a subsidiary without loss of control	**–**	**–**	**–**	**–**	**(12,667)**	**–**	**(12,667)**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(9,282)**	**–**	**–**	**(9,282)**
Share-based payments (note 42(a))	**–**	**–**	**–**	**139,961**	**–**	**–**	**139,961**
Share options lapsed	**–**	**–**	**–**	**(74,225)**	**–**	**74,225**	**–**
Transfer to statutory reserves	**–**	**–**	**99,264**	**–**	**–**	**(99,264)**	**–**
Balance at 31 December 2019	**382**	**(8,018)**	**1,064,810**	**473,945**	**(491,584)**	**18,595,407**	**19,634,942**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. THE GROUP'S RESERVES (Continued)

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 5% to 10% of the profit for the year after netting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate 10% of the net profit to the Statutory Reserves until the accumulated appropriation exceeds 50% of the registered capital.

For Chinese-foreign entities, in accordance with the Law of the PRC on Chinese-foreign Equity Joint Ventures, the percentage of profits to be appropriated to the Statutory Reserves is solely determined by the Board of Directors of these foreign investment enterprises.

In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the companies' articles of association, an appropriation to the Statutory Reserves, after net of accumulated losses of previous years, have to be made prior to profit distribution to the investor. The appropriation for the Statutory Reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

For the year ended 31 December 2019, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB99,264,000 (2018: RMB6,009,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Share Option Scheme (note 42).

(d) Capital reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional equity interest in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit for the year	**4,164,008**	3,294,256
Adjustments for:		
Income tax expenses (note 10)	**5,303,595**	4,477,629
Depreciation of property, plant and equipment (notes 7 and 15)	**189,691**	199,670
Depreciation of right-of-use assets (notes 7 and 16)	**182,881**	–
Amortisation of land use rights (notes 7 and 18)	**18,158**	25,788
Amortisation of intangible assets (notes 7 and 21)	**342,890**	178,328
Dividend income received from financial assets at FVTPL (note 8)	**(30,966)**	(20,945)
Provision for ECL (notes 4.1(ii) and 8)	**478,070**	529,332
Loss on disposal of property, plant and equipment (note a)	**17,987**	1,463
Loss on derecognition of interest in an associate (notes 8 and 19(a))	**252,016**	–
Net fair value (gain)/loss on financial assets at FVTPL (note 8)	**(1,380,931)**	271,276
Impairment loss on interest in an associate (notes 8 and 19(a))	**–**	658,685
Impairment loss on intangible assets (notes 8 and 21)	**473,361**	–
Impairment loss on goodwill (notes 8 and 21)	**203,931**	–
Write-down of completed properties held for sale and properties under development (note 8)	**367,737**	220,178
Written off of intangible assets (note 8)	**22,230**	7,654
Written off of debtors and other receivables (note 8)	**275,251**	–
Waiver of other payables (note 8)	**–**	(406,326)
Net gain on repurchases of senior notes (notes 8 and 31(a))	**(178,438)**	(142,745)
Net loss on disposal of investment properties (note 8)	**193,825**	7,102
Loss on disposal of deposits paid for land acquisition	**40,753**	–
Net gain on disposals of subsidiaries (note 41(a))	**(245,581)**	–
Net gain on deemed disposals of subsidiaries (note 41(b))	**(2,460,638)**	(2,912,593)
Fair value gain of investment properties (note 17)	**(178,419)**	(212,374)
Fair value loss of financial derivatives	**82,191**	–
Share of results of associates	**(92,619)**	(239,913)
Share of results of joint ventures (note 19(b))	**197,697**	48,726
Interest income (note 9)	**(580,269)**	(402,511)
Interest expense (note 9)	**798,774**	1,049,027
Net exchange losses	**785,442**	1,524,271
Share-based payments (note 13)	**139,961**	260,612
Changes in working capital:		
Inventories	**(33,986)**	(101,876)
Properties under development and completed properties held for sale	**4,510,385**	665,885
Debtors, deposits and other receivables	**(14,046,271)**	(3,371,556)
Deposits for land acquisition	**(966,713)**	1,977,494
Prepayments for proposed development projects	**(8,017,852)**	(1,981,370)
Restricted cash	**(1,578,759)**	(73,329)
Contract liabilities	**(3,157,249)**	15,511,643
Accrued construction costs	**4,676,550**	411,398
Other payables	**18,593,565**	3,195,994
Cash generated from operations	**9,362,258**	24,650,873

Note: The Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated, see note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Cash generated from operations (Continued)

Note:

Loss on disposal of property, plant and equipment are as follows:

	2019 RMB'000	2018 RMB'000
Net carrying value disposed (note 15)	**48,192**	17,531
Proceeds received	**(30,205)**	(16,068)
Loss on disposal of property, plant and equipment (note 8)	**17,987**	1,463

(b) Reconciliation of liabilities arising from financing activities

	2019		
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)	Lease liabilities RMB'000 (note 30)
As at 1 January 2019, as previously stated	**108,765,952**	**19,917,262**	**–**
Adjustment on adoption of HKFRS 16 (note 3.1)	**–**	**–**	**799,167**
As at 1 January 2019, as restated	**108,765,952**	**19,917,262**	**799,167**
Changes from financing cash flows:			
Decrease in other payables	**–**	**(1,730,072)**	**–**
Increase in amounts due to associates	**–**	**1,069,243**	**–**
Increase in amounts due to joint ventures	**–**	**962,641**	**–**
Increase in amounts due to non-controlling interests of subsidiaries	**–**	**162,976**	**–**
Proceeds from bank and other borrowings	**26,820,102**	**–**	**–**
Proceeds from loans from associates	**2,610,667**	**–**	**–**
Repayment of loans from associates	**(1,240,550)**	**–**	**–**
Net proceeds from issuance of senior notes (note 31(a))	**20,649,999**	**–**	**–**
Net proceeds from issuance of convertible bonds (note 31(b))	**633,200**	**–**	**–**
Repayments of bank and other borrowings	**(22,296,361)**	**–**	**–**
Repayments of senior notes	**(1,973,376)**	**–**	**–**
Payments for repurchase of senior notes	**(3,935,543)**	**–**	**–**
Payment of lease liabilities	**–**	**–**	**(226,776)**
Total changes from financing cash flows	**130,034,090**	**20,382,050**	**572,391**
Non-cash changes			
– exchange differences	**771,440**	**–**	**–**
– finance expenses recognised (note 9)	**10,804,891**	**–**	**71,678**
Other changes (note)	**(9,558,714)**	**16,490,493**	**742,230**
Acquisitions of subsidiaries (note 40)	**1,047,900**	**1,708,789**	**–**
Disposals of subsidiaries (note 41(a))	**(145,185)**	**(1,344,652)**	**–**
Deemed disposals of subsidiaries (note 41(b))	**(15,758,870)**	**(10,215,110)**	**–**
As at 31 December 2019	**117,195,552**	**27,021,570**	**1,386,299**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	2018	
	Borrowings RMB'000 (note 31)	Other payables RMB'000 (note 32)
As at 1 January 2018	111,173,187	17,419,782
Changes from financing cash flows:		
Increase in other payables	–	1,373,817
Increase in amounts due to associates	–	92,279
Increase in amounts due to joint ventures	–	2,246,498
Increase in amounts due to non-controlling interests of subsidiaries	–	1,234
Proceeds from bank and other borrowings	30,785,043	–
Proceeds from loans from associates	2,034,350	–
Repayment of loans from associates	(1,021,000)	–
Net proceeds from issuance of Senior Notes (note 31(a))	5,637,588	–
Repayments of bank and other borrowings	(28,035,327)	–
Repayments of Senior Notes	(2,015,121)	–
Total changes from financing cash flows	7,385,533	3,713,828
Non-cash changes		
– exchange differences	1,840,021	–
– finance expenses recognised (note 9)	9,017,412	–
Other changes (note)	(11,564,964)	541,459
Acquisitions of subsidiaries (note 40)	546,900	2,845,294
Increase in consideration payables related to acquisitions of subsidiaries	–	577,145
Deemed disposals of subsidiaries (note 41(b))	(9,632,137)	(5,180,246)
As at 31 December 2018	108,765,952	19,917,262

Note:

Other changes mainly represented the interest capitalisation, gain on repurchase of senior notes (note 31(a)), additions to new lease liabilities, decrease in other payables included in operating activities and repayment for consideration payables related to acquisitions of subsidiaries, associates and joint ventures included in investing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at 31 December 2019 and 2018:

	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units sold by the Group	**32,816,544**	30,587,387

The guarantees in respect of mortgage facilities granted by certain banks related to mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees expire or terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the mortgage loans obtained by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

39. COMMITMENTS

(a) Commitments for property development expenditure, acquisitions of property, plant and equipment, acquisitions of subsidiaries, an associate and a joint venture

	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
– Acquisitions/construction of property, plant and equipment	**69,257**	100,178
– Acquisitions of land use rights and property development activities	**34,429,933**	35,376,964
– Acquisitions of subsidiaries	**4,399,598**	863,328
– Acquisition of an associate and a joint venture	**560,000**	1,878,239
	39,458,788	38,218,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. COMMITMENTS (Continued)

(b) Lease commitments

At the reporting date, the lease commitments for short-term leases (2018: the future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings and office equipment) are as follows:

	2019 RMB'000	2018 RMB'000
Not later than one year	**6,441**	167,967
Later than one year and not later than five years	**–**	398,140
Later than five years	**–**	586,360
	6,441	1,152,467

As at 31 December 2019, the Group leases staff quarters, offices and office equipment with a lease period of twelve months, which are qualified to be accounted for under low-value assets and short-term lease exemption under HKFRS 16.

As at 31 December 2018, the Group leases a number of properties and office equipment under operating leases. The leases run for an initial period of one to nineteen years, with an option to renew the lease and renegotiate the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**211,320**	174,899
After 1 year but within 2 years	**182,619**	168,879
After 2 years but within 3 years	**135,328**	142,118
After 3 years but within 4 years	**93,231**	110,609
After 4 years but within 5 years	**69,385**	110,802
After 5 years	**182,316**	227,787
	874,199	935,094

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of one to twenty-one (2018: one to forty-eight) years, with an option to renew the lease and renegotiated the terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

40. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of assets

During the year ended 31 December 2019, the Group entered into agreements with independent third parties to acquire offices and certain property development companies at total consideration of RMB1,258,465,000. These companies did not operate any business prior to the acquisitions and only had land and building included in property, plant and equipment, properties under development and prepayment for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of land and building included in property, plant and equipment, properties under development, and prepayment for proposed development projects.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The aggregate balances of identifiable assets and liabilities arising from these acquisitions as at their respective acquisition date are as follows:

	2019 RMB'000
Property, plant and equipment	**863,574**
Properties under development	**760,925**
Prepayment for proposed development projects	**12,666**
Debtors, deposits and other receivables	**231,179**
Cash and bank balances	**8,008**
Other payables	**(610,227)**
Total identifiable net assets	**1,266,125**
Less: non-controlling interests	**(7,660)**
Identifiable net assets acquired	**1,258,465**
Total purchase consideration	
– Settled in cash during the year	**1,237,465**
– Payable	**21,000**
	1,258,465
Purchase consideration settled in cash	**1,237,465**
Cash and bank balances in subsidiaries acquired	**(8,008)**
Cash outflow on acquisitions of subsidiaries	**1,229,457**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisitions of assets (Continued)

During the year ended 31 December 2018, the Group acquired controlling equity interests of several individually immaterial subsidiaries at a total consideration of approximately RMB1,571,903,000. These companies did not operate any business prior to the acquisitions and only had properties under development and prepayment for proposed development projects. Therefore, the Group considered this would be an acquisition of assets in substance and as a result the difference between the purchase consideration paid and the net assets acquired would be recognised as adjustments to the carrying value of properties under development and prepayment for proposed development projects.

The considerations of all these transactions were based on the fair value of the assets acquired.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2018 RMB'000
Property, plant and equipment	11,107
Properties under development	3,295,976
Prepayment for proposed development projects	1,270,974
Debtors, deposits and other receivables	441,746
Prepaid taxes	1,947
Cash and bank balances	46,385
Accrued construction costs	(32,302)
Borrowings	(540,000)
Other payables	(2,752,411)
Net assets	1,743,422
Less: non-controlling interests	(171,519)
Net assets acquired	1,571,903
Total purchase consideration:	
– settled in cash during the year	999,558
– payable	572,345
	1,571,903
Purchase consideration settled in cash	999,558
Cash and bank balances in subsidiaries acquired	(46,385)
Cash outflow on acquisitions of subsidiaries	953,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses

Acquisition of Qinghai Pharmaceutical

During the year ended 31 December 2019, the Group entered into agreement with an independent third party to acquire 54.84% equity interests in Qinghai Pharmaceutical which is engaged in manufacturing and trading of pharmaceutical products to diversify their healthcare business at a consideration of RMB581,658,000. The directors of the Group were of the view that the acquisition constitutes acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Qinghai Pharmaceutical at the acquisition date.

	2019 RMB'000
Property, plant and equipment	**88,030**
Intangible assets	**314,144**
Land use rights	**13,600**
Deferred tax assets	**260**
Inventories	**121,011**
Debtors, deposits and other receivables	**83,076**
Cash and bank balances	**23,037**
Accrued construction costs	**(450)**
Income tax payable	**(16,517)**
Other payables	**(56,439)**
Deferred tax liabilities	**(152,169)**
Total identifiable net assets	**417,583**
Less: non-controlling interests	**(309,782)**
Identifiable net assets acquired	**107,801**
Goodwill (note 21)	**473,857**
Total purchase consideration	**581,658**
Purchase consideration settled in cash	**581,658**
Cash and bank balances in the subsidiary acquired	**(23,037)**
Cash outflow on acquisition of the subsidiary	**558,621**

Qinghai Pharmaceutical contributed revenues of approximately RMB238,179,000 and net profit of approximately RMB53,579,000 to the Group for the period from the acquisition date to 31 December 2019. Had Qinghai Pharmaceutical had contributed from 1 January 2019, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB70,247,000 and the increase in pro forma profit for the year by approximately RMB12,994,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisitions of Jiaxing Dashu Group and Jiangsu Hengyuan Group

During the year ended 31 December 2019, the Group entered into agreements to acquire 60% equity interests in Jiaxing Dashu Group and 51% equity interests in Jiangsu Hengyuan Group, which are principally engaged in the business of property management including residential communities, offices and commercial buildings, government facilities and other non-residential projects. The directors were of the view that the acquisition constitutes acquisitions of businesses.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The following table summarises the consideration paid for the acquisitions, the aggregate amounts of fair value of the assets acquired and liabilities assumed of Jiaxing Dashu Group and Jiangsu Hengyuan Group at the acquisition date.

	Jiaxing Dashu Group 2019 RMB'000	Jiangsu Hengyuan Group 2019 RMB'000	Total 2019 RMB'000
Property, plant and equipment	**5,334**	**4,991**	**10,325**
Intangible assets – customer relationship	**12,287**	**13,000**	**25,287**
Deferred tax assets	**681**	**249**	**930**
Debtors, deposits and other receivables	**36,158**	**20,765**	**56,923**
Cash and bank balances	**16,896**	**2,346**	**19,242**
Other payables	**(30,110)**	**(15,879)**	**(45,989)**
Contract liabilities	**(7,873)**	**(1,936)**	**(9,809)**
Income tax payables	**(969)**	**(98)**	**(1,067)**
Deferred tax liabilities	**(3,071)**	**(3,250)**	**(6,321)**
Total identifiable net assets at fair value	**29,333**	**20,188**	**49,521**
Less: non-controlling interests	**(11,733)**	**(9,892)**	**(21,625)**
Identifiable net assets acquired	**17,600**	**10,296**	**27,896**
Goodwill (note 21)	**18,980**	**23,864**	**42,844**
	36,580	**34,160**	**70,740**
Total purchase consideration			
– Settled in cash during the year	**36,580**	**6,832**	**43,412**
– Payable	**–**	**27,328**	**27,328**
	36,580	**34,160**	**70,740**
Purchase consideration settled in cash	**36,580**	**6,832**	**43,412**
Cash and bank balances in subsidiaries acquired	**(16,896)**	**(2,346)**	**(19,242)**
Cash outflow on acquisitions of subsidiaries	**19,684**	**4,486**	**24,170**

The Jiaxing Dashu Group contributed revenues of approximately RMB94,624,000 and net profit of approximately RMB5,084,000 to the Group for the period from the acquisition date to 31 December 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB37,530,000 and decreased by approximately RMB1,567,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisitions of Jiaxing Dashu Group and Jiangsu Hengyuan Group (continued)

The Jiangsu Hengyuan Group contributed revenues of approximately RMB14,300,000 and net profit of approximately RMB1,403,000 to the Group for the period from the acquisition date to 31 December 2019. If the acquisitions had occurred on 1 January 2019, the Group's consolidated revenue and consolidated profit for the year would have been increased by approximately RMB65,200,000 and decreased by approximately RMB1,812,000 respectively.

The consideration for the acquisition of Jiangsu Hengyuan Group of RMB34,160,000 is subject to downward adjustment of certain performance targets of the Jiangsu Hengyuan Group. With reference to the announcement of Kaisa Prosperity Holdings Limited ("Kaisa Prosperity") on 31 October 2019, the Group may, at its discretion, terminate the agreement or re-negotiate for a lower consideration with the vendors. However, the directors of the Group consider that the probability of not meeting these performance target is low.

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

Acquisition of Xinghai Tea Co., Ltd.* ("Xinghai Tea")

On 27 January 2018, the Group acquired 80% equity interest in Xinghai Tea from third parties at a total cash consideration of RMB4,800,000 to diversify its business. Xinghai Tea is principally engaged in trading of tea leaf. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Xinghai Tea as at the date of acquisition are as follows:

	2018 RMB'000
Inventories	655
Debtors, deposits and other receivables	8,301
Cash and bank balances	128
Borrowings	(2,900)
Other payables	(184)
Total identifiable net assets at fair value	6,000
Less: non-controlling interests	(1,200)
Identifiable net assets acquired	4,800
Total purchase consideration:	
– Payable	4,800
Purchase consideration settled in cash	–
Cash and bank balances in a subsidiary acquired	(128)
Cash inflow on acquisition of a subsidiary	(128)

Xinghai Tea contributed total revenue of approximately RMB21,526,000 and net loss of approximately RMB1,950,000 to the Group for the period from the acquisition date to 31 December 2018. Had Xinghai Tea been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB1,720,000 and the increase in pro-forma loss for the year by approximately RMB156,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Beijing Haili Insurance Broker Co., Ltd.* ("Beijing Haili")

On 4 January 2018, the Group acquired 100% equity interest in the Beijing Haili at a cash consideration of RMB19,500,000 to diversify its business. Beijing Haili is principally engaged in insurance operation. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

Details of the aggregate fair values of the identifiable assets and liabilities of Beijing Haili as at the date of acquisition are as follows:

	2018 RMB'000
Debtors deposits and other receivables	19,568
Cash and bank balances	1,097
Other payables	(1,165)
Total identifiable net assets at fair value	19,500
Net assets acquired	19,500
Purchase consideration settled in cash	19,500
Cash and bank balances in a subsidiary acquired	(1,097)
Cash outflow on acquisition of a subsidiary	18,403

Beijing Haili contributed total revenue of approximately RMB17,570,000 and net loss of approximately RMB1,097,000 to the Group for the period from the acquisition date to 31 December 2018. Had Beijing Haili been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB195,000 and the increase in pro-forma loss for the year by approximately RMB12,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisitions of businesses (Continued)

Acquisition of Guangzhou Mosi Culture Development Co., Ltd.* ("Guangzhou Mosi")

On 11 January 2018, the Group acquired 80% equity interest in Guangzhou Mosi at a cash consideration of RMB1 to diversify its business. Guangzhou Mosi is principally engaged in operating a cafe. Thus, the Directors of the Company are of the view that the acquisition constitutes an acquisition of business.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Guangzhou Mosi as at the date of acquisition are as follows:

	2018 RMB'000
Property, plant and equipment	346
Inventories	60
Debtors, deposit and other receivables	545
Cash and bank balances	4
Other payables	(955)
Total identifiable net assets at fair value	–
Less: non-controlling interests	–
Identifiable net assets acquired	–
Purchase consideration settled in cash	–
Cash and bank balances in a subsidiary acquired	(4)
Cash inflow on acquisition of the subsidiary	(4)

Guangzhou Mosi contributed total revenue of approximately RMB1,517,000 and net loss of approximately RMB4,293,000 to the Group for the period from the acquisition date to 31 December 2018. Had Guangzhou Mosi been consolidated from 1 January 2018, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by approximately RMB47,000 and the increase in pro-forma loss for the year by approximately RMB133,000.

(c) Acquisition of additional interests in subsidiaries

During the year ended 31 December 2019, the Group entered into a cooperation agreement with an associate of the Group to acquire 90% direct equity interest in Guangzhou Yurui Real Estate Development Co., Ltd.* (Guangzhou Yurui") and its subsidiaries ("Guangzhou Yurui Group") at RMB18,000,000. The Group's effective equity interest in Guangzhou Yurui Group then increased from 49% to 94.90%.

Guangzhou Yurui entered into a cooperation agreement with Guangdong Kaisa that Guangzhou Yurui injected RMB306,000,000 to Guangzhou Yaxiang Real Estate Development Co., Ltd.* ("Guangzhou Yaxiang") to obtain 25% equity interest in Guangzhou Yaxiang. The Group's effective equity interest in Guangzhou Yaxiang then increased from 49% to 60.48%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(c) Acquisition of additional interests in subsidiaries (Continued)

Upon the capital injections to Guangzhou Yurui and Guangzhou Yaxiang, the Group is entitled to appoint two directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all relevant financing and operating activities relating to daily investment activities for the investee by simple majority votes. Accordingly, Guangzhou Yurui Group and Guangzhou Yaxiang become subsidiaries of the Group.

Guangzhou Yurui Group and Guangzhou Yaxiang had properties under development and completed properties held for sale, hence the Group considered this would be acquisitions of properties under development and completed properties held for sale in substance.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

	2019 RMB'000
Property, plant and equipment	**266**
Properties under development	**4,457,216**
Completed properties held for sale	**5,145,066**
Debtors, deposits and other receivables	**812,560**
Prepaid tax	**143,127**
Cash and bank balances	**736,346**
Borrowings	**(1,047,900)**
Accrued construction costs	**(1,607,294)**
Contract liabilities and other payables	**(7,900,439)**
Total identifiable net assets at fair value	**738,948**
Less: non-controlling interests	**(738,948)**
Net assets acquired through capital injection	**–**
Capital injection	**324,000**
Cash and bank balances in subsidiaries acquired through capital injection	**(736,346)**
Net cash inflow on acquisitions of subsidiaries through capital injection	**(412,346)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. ACQUISITIONS OF SUBSIDIARIES (Continued)

(d) Acquisition through capital injection

Capital injection in Hengyang Heng Ji Real Estate Co., Ltd.* ("Hengyang Heng Ji") and Chengdu Huaguan Ke Heng Technology Co., Ltd.* ("Chengdu Huaguan")

During the year ended 31 December 2018, the Group entered into cooperation agreements with other investors that the Group injected RMB41,600,000 and RMB20,816,000 to Hengyang Heng Ji and Chengdu Huaguan, which are controlled by independent third parties before the capital injection by the Group, respectively to obtain 51% and 51% equity interests in these two companies respectively.

According to the Hengyang Heng Ji's and Chengdu Huaguan's cooperation agreement, the Group is entitled to appoint four directors of Hengyang Heng Ji's board of directors out of a total of five whereas the Group is entitled to appoint two directors of Chengdu Huaguan's board of directors out of a total of three. In the view of the Group, the Group can operate the investees and direct all the relevant financing and operating decisions relating to daily investment activities for the investee by simple majority votes. Accordingly, the investees are classified as subsidiaries of the Group.

Hengyang Heng Ji and Chengdu Huaguan had properties under development and deposits for land acquisitions respectively hence the Group considered this would be acquisitions of assets in substance.

Details of the aggregate fair values of the identifiable assets and liabilities of Hengyang Heng Ji and Chengdu Huaguan as at the date of acquisitions through capital injection are as follows:

	2018 RMB'000
Property, plant and equipment	44
Properties under development	12,658
Deposits for land acquisitions	168
Debtors, deposits and other receivables	81,365
Cash and bank balances	344
Borrowings	(4,000)
Other payables	(90,579)
Net assets acquired through capital injection	–
Cash inflow on acquisitions of subsidiaries through capital injection	(344)

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES

(a) Disposals of subsidiaries

During the year ended 31 December 2019, the Group entered into cooperation agreements with a number of independent third parties for the disposals of certain subsidiaries for an aggregate consideration of RMB305,906,000. Upon the share transferred, the Group's equity interests in certain subsidiaries have been become from 100% to 45%, 50%, 50% and 51% respectively. These subsidiaries are engaged in investment holding and holding property redevelopment projects, property under development and completed properties held for sales. Upon the completion of disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(a) Disposals of subsidiaries (Continued)

The following table summarises the net assets of the subsidiaries disposed of during the year ended 31 December 2019 year and the financial impacts are summarised as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	**59,593**
Investment properties	**557,000**
Land use rights	**30,358**
Properties under development	**31,188**
Completed properties held for sale	**105,150**
Prepayments for proposed development projects	**791,328**
Debtors, deposits and other receivables	**507,287**
Prepaid tax	**56**
Cash and bank balances	**1,309**
Contract liabilities	**(11,800)**
Accrued construction costs	**(51,251)**
Income tax payable	**(134,534)**
Borrowings	**(145,185)**
Other payables	**(1,344,652)**
Deferred tax liabilities (note 34)	**(46,946)**
	348,901
Non-controlling interest	**(9,968)**
Net assets disposed of	**338,933**
Net gain on disposals of subsidiaries	**245,581**
	584,514
Satisfied by:	
Cash	**305,906**
Fair values of the 45%, 50%, 50% and 51% equity interests in joint ventures (note)	**278,608**
	584,514
Net cash outflow arising on disposal:	
Cash received	**305,906**
Cash and bank balances disposals of	**(1,309)**
	304,597

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The reminding interests held by the Group were remeasured at fair values at the date the Group lost control over these companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries

During the year ended 31 December 2019, the Group entered into capital injection agreements with a number of independent third parties for the capital injection of certain subsidiaries. Upon the capital injection, the Group's equity interests in certain subsidiaries have been diluted from 100% owned subsidiaries to joint ventures or associates. These subsidiaries were engaged in investment holding and holding property redevelopment projects and property developments.

Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as associates and joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates and joint ventures.

The following table summarises the net assets of the subsidiaries disposed of during the current period and the financial impacts are summarised as follows:

	2019 RMB'000
Net assets disposed of:	
Property, plant and equipment	**62,736**
Investment properties	**909,000**
Investment in an associate	**167,160**
Properties under development	**14,813,388**
Completed properties held for sale	**930,746**
Deposits for land acquisition	**631,945**
Prepayments for proposed development projects	**2,537,925**
Debtors, deposits and other receivables	**12,747,090**
Prepaid tax	**26,658**
Financial assets at fair value through profit or loss	**28,656**
Cash and bank balances	**1,737,291**
Contract liabilities	**(3,559,273)**
Accrued construction costs	**(4,338,530)**
Borrowings	**(15,758,870)**
Other payables	**(10,215,110)**
Deferred tax liabilities (note 34)	**(59,417)**
	661,395
Non-controlling interest	**(176,313)**
Net assets disposed of	**485,082**
Net gain on deemed disposals of subsidiaries	**2,460,638**
	2,945,720
Satisfied by:	
Fair values of the equity interests in associates (note 19(a))	**–#**
Fair values of the equity interests in joint ventures (note 19(b))	**2,945,720**
	2,945,720
Net cash outflow arising on deemed disposals:	
Cash and bank balances disposals of	**(1,737,291)**

Amount less than RMB1,000

Note: The fair value was determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries (Continued)

During the year ended 31 December 2018, the Group entered into cooperation agreements with a number of investors in which those investors would inject capital to certain subsidiaries operating in Guangzhou region.

Upon the capital injection by the investors, the Group's effective equity interests in these subsidiaries have been diluted from 100% to 49%. These subsidiaries were engaged in investment holding, property developments, holding property development projects located in Guangzhou. Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as associates of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in associates.

The following table summarises the net liabilities of the subsidiaries disposed of during the year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment	1,039
Financial assets at FVTPL	3,300
Deferred tax assets (note 34)	7,454
Properties under development	14,235,229
Completed properties held for sale	3,620,253
Prepayments for proposed development projects	68,286
Debtors, deposits and other receivables	2,028,459
Cash and bank balances	2,452,320
Contract liabilities	(5,922,487)
Accrued construction costs	(3,014,944)
Income tax payable	(258,515)
Borrowings	(9,632,137)
Other payables	(4,839,264)
	(1,251,007)
Non-controlling interests	(91,554)
Net liabilities disposed of	(1,342,561)
Net gain on deemed disposals of subsidiaries	1,342,561
	–
Satisfied by:	
Fair value of the 49% equity interest in associates	–
Net cash outflow arising on deemed disposals:	
Cash and bank balances disposals of	(2,452,320)

Note: The fair value was determined by management with reference to the valuation report for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISPOSALS OF SUBSIDIARIES/DEEMED DISPOSALS OF SUBSIDIARIES (Continued)

(b) Deemed disposals of subsidiaries (Continued)

During the year ended 31 December 2018, the Group entered into capital injection agreements with investors in which those investors would injected capital to certain subsidiaries.

Upon the capital injection by the investors, the Group's equity interests in the subsidiaries have been diluted from 100% to 45% or from 100% to 50%. These subsidiaries were engaged in property developments and had prepayments for proposed development projects located in Shenzhen. Upon completion of the deemed disposals, these companies ceased to be subsidiaries of the Group and were then accounted for as joint ventures of the Group using equity method. The fair value of the retained interests in these companies at the date on which the control was lost is regarded as the cost on initial recognition of the investments in joint ventures.

The following table summarises the net liabilities of the subsidiaries disposed of during the current year and the financial impacts are summarised as follows:

	2018 RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment	68
Prepayments for proposed development projects	31,360
Debtors, deposits and other receivables	188,061
Cash and bank balances	120,121
Other payables	(340,982)
Net liabilities disposed of	(1,372)
Net gain on deemed disposals of subsidiaries	1,570,032
	1,568,660
Satisfied by:	
Fair values of the equity interests in joint ventures (note 19(b))	1,568,660
Net cash outflow arising on deemed disposal:	
Cash and bank balances disposal of	(120,121)

Note: The fair values were determined by management with reference to the valuation reports for the underlying assets. The remaining interests held by the Group is measured at fair value at the date the Group lost control over these certain companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION

(a) Share Option Scheme of the Company

Pursuant to the shareholders' resolution passed on 14 June 2019, a post-IPO share option scheme is terminated and the new share option scheme (the "**Share Option Scheme**") is conditionally adopted with effective from 14 June 2019. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2019		2018	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**3.478**	**516,756,000**	3.339	470,514,000
Granted during the year	**3.243**	**52,000,000**	4.354	63,000,000
Exercised during the year (note 35)	**1.443**	**(16,673,000)**	1.576	(5,284,000)
Lapsed during the year	**3.669**	**(117,030,000)**	3.465	(11,474,000)
At 31 December	**3.464**	**435,053,000**	3.478	516,756,000

As at 31 December 2019, 203,847,000 (2018: 178,156,000) outstanding options granted under the Share Option Scheme were exercisable (note).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

Note: Terms of share options at the reporting date were as follows:

Exercised period	Vesting period	Exercise price per share HK$	Number of share options 2019	2018
10/6/2010-24/4/2022	9/12/2009-9/6/2010	3.105	**5,350,000**	5,350,000
30/3/2011-24/4/2022	9/12/2009-29/3/2011	3.105	**8,250,000**	8,250,000
24/4/2012-24/4/2022	9/12/2009-23/4/2012	3.105	**8,500,000**	8,500,000
23/7/2011-22/7/2020	23/7/2011-22/7/2011	2.000	**2,100,000**	3,360,000
23/7/2012-22/7/2020	23/7/2012-22/7/2012	2.000	**2,300,000**	3,360,000
23/7/2013-22/7/2020	23/7/2013-22/7/2013	2.000	**2,900,000**	3,560,000
23/7/2014-22/7/2020	23/7/2014-22/7/2014	2.000	**3,540,000**	4,160,000
23/7/2015-22/7/2020	23/7/2015-22/7/2015	2.000	**6,020,000**	8,977,000
6/6/2013-5/6/2022	6/6/2013-5/6/2014	1.500	**3,784,000**	4,168,000
6/6/2014-5/6/2022	6/6/2014-5/6/2015	1.500	**4,031,000**	5,370,000
6/6/2015-5/6/2022	6/6/2015-5/6/2016	1.500	**11,277,000**	15,923,000
6/6/2016-5/6/2022	6/6/2016-5/6/2017	1.500	**12,279,000**	16,816,000
6/6/2017-5/6/2022	6/6/2017-5/6/2018	1.500	**12,722,000**	16,962,000
21/2/2015-20/2/2024	21/2/2015-20/2/2016	2.610	**–**	1,200,000
21/2/2016-20/2/2024	21/2/2016-20/2/2017	2.610	**–**	1,200,000
21/2/2017-20/2/2024	21/2/2017-20/2/2018	2.610	**–**	1,200,000
21/2/2018-20/2/2024	21/2/2018-20/2/2019	2.610	**–**	1,200,000
21/2/2019-20/2/2024	21/2/2019-20/2/2020	2.610	**–**	1,200,000
19/7/2018-18/7/2027	19/7/2018-18/7/2019	3.550	**49,400,000**	59,000,000
19/7/2019-18/7/2027	19/7/2019-18/7/2020	3.550	**49,400,000**	59,000,000
19/7/2020-18/7/2027	19/7/2020-18/7/2021	3.550	**49,400,000**	59,000,000
19/7/2021-18/7/2027	19/7/2021-18/7/2022	3.550	**98,800,000**	118,000,000
22/9/2018-21/9/2027	22/9/2018-21/9/2019	6.660	**4,000,000**	4,000,000
22/9/2019-21/9/2027	22/9/2019-21/9/2020	6.660	**4,000,000**	4,000,000
22/9/2020-21/9/2027	22/9/2020-21/9/2021	6.660	**4,000,000**	4,000,000
22/9/2021-21/9/2027	22/9/2021-21/9/2022	6.660	**8,000,000**	8,000,000
29/11/2018-28/11/2027	29/11/2018-28/11/2019	4.370	**5,600,000**	5,600,000
29/11/2019-28/11/2027	29/11/2019-28/11/2020	4.370	**5,600,000**	5,600,000
29/11/2020-28/11/2027	29/11/2020-28/11/2021	4.370	**5,600,000**	5,600,000
29/11/2021-28/11/2027	29/11/2021-28/11/2022	4.370	**11,200,000**	11,200,000
3/4/2019-2/4/2028	3/4/2019-2/4/2020	4.320	**–**	4,000,000
3/4/2020-2/4/2028	3/4/2020-2/4/2021	4.320	**–**	4,000,000
3/4/2021-2/4/2028	3/4/2021-2/4/2022	4.320	**–**	4,000,000
3/4/2022-2/4/2028	3/4/2022-2/4/2023	4.320	**–**	8,000,000
12/6/2019-11/6/2028	12/6/2019-11/6/2020	4.370	**2,600,000**	8,600,000
12/6/2020-11/6/2028	12/6/2020-11/6/2021	4.370	**2,600,000**	8,600,000
12/6/2021-11/6/2028	12/6/2021-11/6/2022	4.370	**2,600,000**	8,600,000
12/6/2022-11/6/2028	12/6/2022-11/6/2023	4.370	**5,200,000**	17,200,000
24/1/2020-23/1/2029	24/1/2020-23/1/2021	2.380	**2,000,000**	–
24/1/2021-23/1/2029	24/1/2021-23/1/2022	2.380	**2,000,000**	–
24/1/2022-23/1/2029	24/1/2022-23/1/2023	2.380	**2,000,000**	–
24/1/2023-23/1/2029	24/1/2023-23/1/2024	2.380	**4,000,000**	–
12/4/2020-11/4/2029	12/4/2020-11/4/2021	3.700	**6,800,000**	–
12/4/2021-11/4/2029	12/4/2021-11/4/2022	3.700	**6,800,000**	–
12/4/2022-11/4/2029	12/4/2022-11/4/2023	3.700	**6,800,000**	–
12/4/2023-11/4/2029	12/4/2023-11/4/2024	3.700	**13,600,000**	–
			435,053,000	516,756,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

The Company offered to grant several directors and employees (the "July 2010 Grant") of 179,750,000 share options of HK$0.10 each in the capital of the Company on 23 July 2010.

On 6 June 2012, the Company further offered to grant several directors and employees (the "June 2012 Grant") of 326,790,000 share options respectively of HK$0.10 each in the capital of the Company.

During the year ended 31 December 2014, the Company offered to grant an employee and a consultant (the "February 2014 Grant") total of 11,000,000 share options and an employee (the "August 2014 Grant") total of 3,000,000 share option respectively of HK$0.10 each in the capital of the Company on 21 February 2014 and 21 August 2014 respectively.

On 19 July 2017, the Company offered to grant to the directors of the Company and certain employees of the Company and its subsidiaries (the "July 2017 Grant") of 64,000,000 and 250,300,000 share options respectively, of HK$0.1 each in the capital of the Company. The Company further granted a director of the Company (the "September 2017 Grant") and (the "November 2017 Grant") of 20,000,000 and 28,000,000 shares options on 22 September 2017 and 29 November 2017 respectively of HK$0.1 each in the capital of the Company.

On 3 April 2018, the Company offered to grant to one of the directors of the Company (the "April 2018 Grant") of 20,000,000 share options of HK$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "June 2018 Grant") of 43,000,000 shares options on 11 June 2018 of HK$0.1 each in the capital of the Company.

On 24 January 2019, the Company offered to grant to certain employees of the Company and its subsidiaries (the "January 2019 Grant") of 18,000,000 share options of HK$0.1 each in the capital of the Company. The Company further granted certain employees of the Company and its subsidiaries (the "April 2019 Grant") of 34,000,000 share options on 12 April 2019 of HK$0.1 each in the capital of the Company.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2010 Grant	June 2012 Grant	February 2014 Grant	August 2014 Grant	July 2017 Grant	September 2017 Grant	November 2017 Grant	April 2018 Grant	June 2018 Grant	January 2019 Grant	April 2019 Grant
Fair value under binomial model (HK$'000)	142,362	198,688	8,514	2,592	543,168	68,887	61,987	37,218	77,023	17,677	51,857
Closing share price at grant date (HK$)	1.71	1.39	2.60	2.83	3.55	6.66	4.26	4.31	4.35	3.69	2.37
Exercise price (HK$)	2.00	1.50	2.61	2.84	3.55	6.66	4.37	4.32	4.37	3.70	2.38
Annual risk free interest rate	2.29%	1.04%	2.30%	1.94%	2.05%	2.01%	2.23%	2.64%	2.93%	2.49%	2.26%
Expected volatility	40%	44%	45%	43%	42%	43%	44%	44%	44%	45%	46%
Expected option life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected divided yield	Nil	Nil	6.0%	5.0%	Nil	Nil	Nil	2.5%	2.5%	2.5%	2.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(a) Share Option Scheme of the Company (Continued)

Expected volatility was determined by using the historical volatility of the Company's share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB139,961,000 (2018: RMB260,612,000) during the year ended 31 December 2019.

(b) Share Option Scheme of Kaisa Health Group

Kaisa Health Group, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Kaisa Health's Scheme"). The Kaisa Health's Scheme was adopted pursuant to a special general meeting on 8 June 2015 for a period of 10 years as incentive or reward for the grantees for their contribution or potential contribution to Kaisa Health Group and its subsidiaries.

Under the Kaisa Health's Scheme, Kaisa Health Group may grant options to eligible participant which includes any full-time or part-time employees, consultants, potential employees, executives or officers (including executive, non-executive and independent non-executive directors) of Kaisa Health Group or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the board of directors, will contribute or has contributed to Kaisa Health Group and/or any of its subsidiaries.

Share options granted to a director, chief executive or substantial shareholder of Kaisa Health Group, or to any of their associates, are subject to approval by the independent non-executive directors of Kaisa Health Group. In addition, any share options granted to a substantial shareholder or any independent non-executive director of Kaisa Health Group, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of Kaisa Health Group in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The exercisable period of the options granted are determined by the board of directors of Kaisa Health Group at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, Kaisa Health Group may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 14 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Kaisa Health's Scheme may not exceed, in aggregate, nominal amount of 10% of the issued share capital of Kaisa Health Group at the date of approval of the Kaisa Health's Scheme. The Kaisa Health's Scheme limit may be increased from time to time to 10% of the shares in issue as at the date of such shareholders' approval. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of Kaisa Health Group in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(b) Share Option Scheme of Kaisa Health Group (Continued)

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Kaisa Health's Scheme was 259,140,000 (2018: 263,440,000), representing 5.1% (2018: 5.2%) of the shares of Kaisa Health Group in issue at that date.

No share options were granted during the years ended 31 December 2019 and 2018.

The fair values of share options were calculated using binomial option pricing model based on following data:

Grant date	16 June 2015	24 July 2015	12 September 2016
Share price at grant date	HK$0.780	HK$0.690	HK$0.350
Exercise price	HK$0.784	HK$0.784	HK$0.400
Expected volatility	73.49%	80.31%	76.75%
Expected life	5 years	5 years	6 years
Risk-free rate	1.296%	1.230%	0.713%
Expected dividend yield	5.17%	4.62%	0.00%
Early exercise multiples			
– Director and its associate	N/A	2.8x	2.8x
– Employees or consultants	2.2x	N/A	2.2x

The variables and assumptions used in computing the fair value of the share options were based on Kaisa Health Group's directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercisable period	Exercise price
2015A	16/6/2015	16/6/2015 – 15/6/2019	16/6/2016 – 15/6/2020	HK$0.784
2015B	24/7/2015 (note)	16/6/2015 – 15/6/2019	16/6/2016 – 15/6/2020	HK$0.784
2016	12/9/2016	12/9/2016 – 15/6/2019	12/9/2017 – 11/9/2022	HK$0.400

Note: Share options subject to approval of independent shareholders was proposed and granted by board of directors of Kaisa Health Group on 16 June 2015. The approval was subsequently obtained on 24 July 2015 which was the date of grant as defined in accordance with HKFRS 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(b) Share Option Scheme of Kaisa Health Group (Continued)

A summary of the movements of the number of share options under the Kaisa Health's Scheme during the years is as follows:

Type of participant	Option type	Outstanding at 1 January 2018	Forfeited during the year	Outstanding at 31 December 2018 and 1 January 2019	Forfeited during the year	Outstanding at 31 December 2019
Mr. Wu	2015B	74,070,000	–	**74,070,000**	**–**	**74,070,000**
Ms. Jiang	2015B	74,070,000	–	**74,070,000**	**–**	**74,070,000**
Mr. Wu	2016	38,000,000	–	**38,000,000**	**–**	**38,000,000**
Ms. Jiang	2016	38,000,000	–	**38,000,000**	**–**	**38,000,000**
Ms. Wu Ansheng (note)	2016	8,000,000	–	**8,000,000**	**–**	**8,000,000**
Employees	2015A	3,800,000	–	**3,800,000**	**(800,000)**	**3,000,000**
Employees	2016	30,000,000	(6,500,000)	**23,500,000**	**(3,500,000)**	**20,000,000**
Consultants	2015A	4,000,000	–	**4,000,000**	**–**	**4,000,000**
		269,940,000	(6,500,000)	**263,440,000**	**(4,300,000)**	**259,140,000**
Exercisable at the end of the year		112,170,000		**177,055,000**		**234,640,000**
Weighted average exercise price		HK$0.622	HK$0.400	**HK$0.627**	**HK$0.471**	**HK$0.630**

Note: Ms. Wu Ansheng is the general manager and sales director of a subsidiary of Kaisa Health Group and a sister of Mr.Wu.

In the opinion of the directors, the fair value of the services received from consultants cannot be estimated reliably, the equity-settled share-based payment transactions with consultants are measured at the fair value of the equity instruments granted.

(c) Share Option Scheme of Kaisa Prosperity

Kaisa Propsperity, a non-wholly owned subsidiary of the Company, operates a share option scheme (the "Kaisa Prosperity's Scheme"). The Kaisa Prosperity's Scheme was adopted pursuant to the shareholders' resolution passed on 18 June 2019. Pursuant to the terms of the share option scheme, Kaisa Prosperity may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of Kaisa Prosperity and its subsidiaries, advisers, consultants, suppliers, agents and customers of any members of the Kaisa Prosperity). The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Kaisa Prosperity's Scheme or any other Kaisa Prosperity's Schemes adopted by Kaisa Prosperity must not exceed 30% of the Kaisa Prosperity's shares in issue from time to time.

No options may be granted under the Kaisa Prosperity's Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by Kaisa Prosperity at the time of the grant, and the options expire no later than 10 years from the relevant date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(c) Share Option Scheme of Kaisa Prosperity (Continued)

The exercise price of the option under the Kaisa Prosperity's Scheme shall be no less than the highest of (i) the official closing price of Kaisa Prosperity's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of Kaisa Prosperity's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of Kaisa Prosperity.

Details of the movement of the share options under Kaisa Prosperity Scheme are as follows:

	Weighted average exercise price in HK$ per share	Number
As at 1 January 2019	–	–
Granted during the year	**15.7**	**11,450,000**
As at 31 December 2019	**15.7**	**11,450,000**

On 19 July 2019, Kaisa Prosperity offered to grant to the directors of Kaisa Prosperity and certain employees of Kaisa Prosperity and its subsidiaries (the "July 2019 Grant") of 2,750,000 and 8,700,000 share options respectively, of HK$0.1 each in the capital of Kaisa Prosperity.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2019 Grant
Fair value under binomial model	HK$84,805,000
Closing share price at grant date	HK$15.7
Exercise price	HK$15.7
Annual risk free interest rate	1.87%
Expected volatility	50.86%
Expected option life	10 years
Expected dividend yield	1.15%

Expected volatility was determined by using the historical volatility of Kaisa Prosperity's share price from the listing date to the grant date. The risk free interest rate is equal to HK$ swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. SHARE OPTION (Continued)

(c) Share Option Scheme of Kaisa Prosperity (Continued)

As at 31 December 2019, none of the outstanding options granted under the share option scheme were exercisable (2018: Nil).

Note:

Terms of share options at the reporting date were as follows:

Exercise period	Exercise price per share HK$	Number of share options as at 31 December 2019
19/7/2020 – 18/7/2029	**15.70**	**2,290,000**
19/7/2021 – 18/7/2029	**15.70**	**2,290,000**
19/7/2022 – 18/7/2029	**15.70**	**2,290,000**
19/7/2023 – 18/7/2029	**15.70**	**4,580,000**
		11,450,000

43. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost		
Debtors, deposits and other receivables, excluding prepayments and prepaid other taxes	**27,035,652**	18,196,025
Long-term bank deposits (note 28)	**1,600,000**	400,000
Restricted cash (note 27)	**6,016,455**	6,792,292
Short-term bank deposits (note 28)	**2,536,724**	252,718
Cash and bank balances (note 28)	**26,824,859**	15,479,139
	64,013,690	41,120,174
Financial assets at FVTPL		
Financial assets at FVTPL (note 20)	**7,850,391**	6,895,826

Liabilities as per consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost		
Accrued construction costs	**14,494,060**	12,599,547
Borrowings (note 31)	**117,195,552**	108,765,952
Other payables, excluding deed tax and other tax payables	**24,572,291**	19,039,975
Lease liabilities (note 30)	**1,386,299**	–
	157,648,202	140,405,474
Financial liabilities at FVTPL		
Derivative financial instruments (note 33)	**82,807**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholder

Mr. Kwok Ying Shing

A related company, a company controlled by a substantial shareholder of the Company

Shenzhen Fund Resources Investment Holding Limited* ("深圳市富德資源投資有限公司")

Associates

Guangdong Kaisa Jiayun Technology Co., Ltd.* (formerly known as "Guangdong Mingjia Lianhe Mobile Technology Co., Ltd."*) ("廣東佳兆業佳雲科技股份有限公司，前稱廣東明家聯合移動科技股份有限公司")
Guan Kongqueting Real Estate Development Co., Ltd.* ("固安孔雀亭房地產開發有限公司")
Kaisa United Assets Management (Beijing) Co., Ltd.* ("佳兆業聯合資產管理(北京)有限公司")
Shenzhen Qianhai Gold – Earth Wealth Management Co., Ltd.* ("深圳前海金土財富管理有限公司")
Guangdong Kaisa Property Development Co., Ltd.* ("廣東佳兆業房地產開發有限公司") and its subsidiaries
Shenzhen Longcheng Plaza Property Development Co., Ltd.* ("深圳市龍城廣場房地產開發有限公司")
Shenzhen Shenxin Chanye Holding Co., Ltd.* (formerly known as "Shenzhen Shenxin Financial Holding Co., Ltd."*) ("深圳深信產業控股有限公司"前稱"深圳深信金融控股有限公司")
Shenzhen Shenxin Financial Services Co., Ltd.* ("深圳深信金融服務有限公司")
Shenzhen Shenxin Capital Management Co., Ltd.* ("深圳市深信資本管理有限公司")
Shenzhen Tianjia Industrial Development Co., Ltd.* ("深圳市天佳實業發展有限公司")
E zhou Liangtai Real Estate Co., Ltd. * ("鄂州梁泰地產有限公司")
Wuhan City Quan Hai Ji Xing Agricultural Products Logistics Co., Ltd.* ("武漢城市圈海吉星農產品物流有限公司")
Lejie Electronic Products (Shenzhen) Co., Ltd.* ("樂捷電子產品(深圳)有限公司")
Southern Shuanglin Bio-pharmacy Co., Ltd.* (formely known as Zhenxing Biopharmaceutical Co., Ltd.*) ("南方雙林生物製藥股份有限公司"前稱"振興生化股份有限公司")
Kunming Runhe Real Estate Development Co., Ltd.* ("昆明潤合房地產開發有限公司")
Kaisa United Financial Group Holdings Limited* ("佳兆業聯合金融集團控股有限公司")
Shenzhen State Free Pengxing Tax Free Commodity Company Ltd.* ("深圳市國免鵬星免稅商品有限公司")
Dachang Hui Autonomous Country Jiatong Real Estate Development Co., Ltd.* ("大廠回族自治縣佳通房地產開發有限公司")
Shenzhen Kaisa Sanshun Industrial Development Co., Ltd.* ("深圳市佳兆業三順實業發展有限公司")
Zhuhai Jiatianhong Property Development Co., Ltd.* ("珠海市佳天宏房地產開發有限公司")
Shenzhen Kaitai Urban Renewal Co., Ltd.* ("深圳市佳泰佳兆業城市更新有限公司")
Guangdong Meisi Real Estate Company Ltd.* ("廣東美思置業有限公司")
Shenzhen City Jingjia Urban Renewal Co., Ltd.* ("深圳市景佳城市更新有限公司")
Hainan Free-Trade Zone Xiangruiyuan Real Estate Development Co., Ltd.* ("海南自貿區香瑞園房地產開發有限公司")
Sanya Baijia Century Real Estate Development Co., Ltd.* ("三亞佰佳世紀房地產開發有限公司")
Chongqing Yuzhaoxing Industrial Co., Ltd.* ("重慶渝盛業實業有限公司") and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Joint ventures

Guangzhou Nantian Company Limited* ("廣州南天商業大廣場建設發展有限公司")
Huizhou City Kaileju Company Limited* ("惠州市愷樂居置業有限公司")
Shenzhen Jiaxian Property Development Co., Ltd.* ("深圳市佳賢置業發展有限公司")
Shenzhen Ligao Property Development Company Limited* ("深圳力高宏業地產開發有限公司")
Shenzhen Jiademeihuan Traveling Development Co., Limited* ("深圳市佳德美奐旅遊開發有限公司")
Shenzhen Jiafu East Tourism Development Co., Ltd.* ("深圳市佳富東部旅遊開發有限公司")
Shenzhen Zhaofude Tourism Development Co., Ltd.* ("深圳市兆富德旅遊開發有限公司") together named as JVs for Dapeng Xiasha Development Project* ("大鵬下沙合營發展專案")
Shenzhen Tiandi Tongchang Investment Development Co., Ltd.* ("深圳市天地同昌投資發展有限公司")
Shenzhen Longhua Kaisa Property Development Company Limited* ("深圳市龍華佳兆業置業發展有限公司")
Shenzhen Gongming Kaisa Property Development Company Limited* ("深圳市公明佳兆業置業發展有限公司")
Shenzhen Mingyang Kaisa Development Co., Ltd. * ("深圳市銘揚佳兆業實業發展有限公司")
Shenzhen Kaisa Xinxiu City Geng Xin Co., Ltd. * ("深圳市佳兆業新秀城市更新有限公司")
Shenzhen Baoan Kaisa Real Estate Development Co., Ltd. * ("深圳市寶安佳兆業房地產開發有限公司")
Guangdong Jiasheng Property Development Co., Ltd. * ("廣東佳盛房地產開發有限公司") and its subsidiary
Zhongqing Xinzhaoxin Co., Ltd.* ("重慶新兆鑫實業有限公司")
Shenzhen Kaisa Zhiyuan Technology Co., Ltd.* ("深圳市佳兆業致遠科技有限公司")
Shenlian Industrial (Shenzhen) Co., Ltd.* ("深聯實業(深圳)有限公司")
Nanjing Jiaqi Real Estate Development Co., Ltd.* ("南京佳期房地產開發有限公司")
Hunan Mingtai Zhiye Development Company Ltd.* ("湖南明泰置業發展有限公司") and its subsidiary
Zhongshan Hong Kong Real Estate Development Company Limited* ("中山富港房地產開發有限公司")
Shenzhen Kaisa Zhiyuan Consulting Management Co., Ltd.* ("深圳市佳兆業致遠投資諮詢有限公司")
Dongguan Kaisa Industrial Development Co., Ltd.* ("東莞佳兆業實業有限公司")
Hangzhou Yijia Property Co., Ltd.* ("杭州億佳置業有限公司") and its subsidiaries
Henan Kaisa Real Estate Development Company Limited* ("河南省佳兆業房地產開發有限公司")
Xinxiang Kaisa Real Estate Development Co., Ltd.* ("新鄉市佳兆業房地產開發有限公司")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties (Continued)

Joint ventures (Continued)

Nanjing Kaisa Jiayu Real Estate Development Company Limited* ("南京佳兆業佳御房地產開發有限公司")
Kaisa Technology Industrial (Shenzhen) Co., Ltd. * ("佳兆業科技產業(深圳)有限公司") and its subsidiaries
Kaisa Property (Shanghai) Co. Ltd. * ("佳兆業地產(上海)有限公司") and its subsidiaries
Wuhan Kaisa Logistic Co., Ltd. * ("武漢市佳兆業物流有限公司") and its subsidiaries
Taoyuan Construction (Shenzhen) Co., Ltd.* ("桃源建設(深圳)有限公司") and its subsidiaries
Chongqing Jiaye Xing Industrial Co., Ltd* ("重慶興佳業實業有限公司") and its subsidiary
Changshan Kaisa Logistic Co., Ltd. * ("長沙市佳兆業物流有限公司") and its subsidiaries
Anshan Kaisa Business Management Co., Ltd.* ("鞍山佳兆業商業管理有限公司")
Zhongshan Jiajun Property Development Co., Ltd.* ("中山市佳駿房地產開發有限公司")
Kaisa Wewa Technology (Shenzhen) Limited Liabilities Co., Ltd.* ("佳兆業創享域科技(深圳)有限責任公司") and its subsidiaries
Huizhou Kaisa Property Development Co., Ltd. * ("惠州市佳兆業房地產開發有限公司") and its subsidiaries
Shenzhen Qixiang Kaisa Industrial Development Co., Ltd.* ("深圳市祺祥佳兆業實業發展有限公司")
Kaisa Guo Cheng Management Consulting (Shenzhen) Co., Ltd.* ("佳兆業國承置業(深圳)有限公司")
Shenzhen Nanshan Kaisa Zhiye Property Development Co., Ltd.* ("深圳市南山佳兆業置業發展有限公司")
Shenzhen Number 1 Logistic Co., Ltd.* ("深圳一號倉物流園有限公司")
Shenzhen Bright Zhiyuan Industrial Development Co., Ltd.* ("深圳市明光致遠實業發展有限公司")
Shenzhen Futian Kaisa Investment Consulting Co., Ltd.* ("深圳市福田佳兆業投資諮詢有限公司")
Liaoning Huili Property Development Co., Ltd.* ("遼寧匯利房地產開發有限公司")

* The English translation of the name of the companies established in the PRC is for reference only. The official name of these companies are in Chinese.

(b) Key management compensation

	2019 RMB'000	2018 RMB'000
Directors' fee	**795**	765
Salaries and other short-term employee benefits	**135,740**	129,035
Discretionary bonuses	**2,563**	3,259
Retirement scheme contributions	**488**	703
Share-based payments	**92,440**	151,773
	232,026	285,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions

	Notes	2019 RMB'000	2018 RMB'000
Advertising income from an associate		**4,245**	9,434
Property management fee income from associates		**45,151**	9,170
Financial advisory fees charged by an associate		**38,345**	74,551
Interest income from associates (note 9)		**3,337**	3,535
Interest expense charged by a related company	i	**–**	29,852
Interest expense charged by an associate	ii	**241,471**	54,273
Rental expenses charged by a controlling shareholder	iii	**1,140**	1,140

Notes:

(i) Interest expense was charged at interest rate of 12.0% (2018: 12.0%) per annum on loan from a related company.

(ii) Interest expense was charged at interest rate of 12.0% (2018: 4.4% to 14.0%) per annum on loans from associates.

(iii) This represents payment of rental expense for various office premises to a controlling shareholder, Mr. Kwok Ying Shing. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

(d) Balances with related parties

	2019 RMB'000	2018 RMB'000
Loans from associates (note 31(e))	**(5,000)**	(1,240,550)
Loan from a related company (note 31(d))	**(108,781)**	(108,781)
Other revenue receivable from associates – included in trade receivables	**59,766**	–
Other revenue receivable from joint ventures – included in trade receivables	**29,499**	–
Prepaid financial advisory fee to an associate – included in prepayments	**–**	153,253
Amounts due from associates (note 24)	**4,043,116**	4,045,190
Amounts due from joint ventures (note 24)	**7,292,123**	891,612
Amounts due to associates (note 32)	**(2,087,243)**	(1,018,000)
Amounts due to joint ventures (note 32)	**(11,011,816)**	(2,246,498)
Interest payable to a related company – included in accrued interest in other payables	**(235,535)**	(235,535)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. EVENTS AFTER REPORTING PERIOD

(i) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of material adverse effects on the financial statements as a result of the COVID-19 outbreak.

(ii) On 15 January 2020, the Company issued senior notes with a principal amount of US$500,000,000 (approximately RMB3,488,100,000) due 2025. The senior notes are interest-bearing at 10.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 15 January 2025.

(iii) On 23 January 2020, the Company issued senior notes with a principal amount of US$300,000,000 (approximately RMB2,092,860,000) due 2025. The senior notes are interest-bearing at 9.95% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 July 2025.

(iv) On 20 February 2020, the Company issued senior notes with a principal amount of US$400,000,000 (approximately RMB2,790,480,000) due 2021. The senior notes are interest-bearing at 6.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 18 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31 December 2019

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	**58,788,957**	43,543,979
Financial assets at fair value through profit or loss	**97,690**	1,008,181
	58,886,647	44,552,160
Current assets		
Financial assets at fair value through profit or loss	**6,637**	6,637
Deposits and other receivables	**2,190,510**	2,075,346
Cash and bank balances	**2,201,098**	179,307
	4,398,245	2,261,290
Current liabilities		
Borrowings	**4,523,551**	3,409,648
Other payables	**623,280**	197,948
Derivative financial instruments	**82,807**	–
	5,229,638	3,607,596
Net current liabilities	**(831,393)**	(1,346,306)
Total assets less current liabilities	**58,055,254**	43,205,854
Non-current liability		
Borrowings	**53,998,950**	38,270,346
Net assets	**4,056,304**	4,935,508
EQUITY		
Share capital (note 35)	**534,844**	533,389
Share premium (note 35)	**5,546,561**	6,168,607
Reserves (note (a))	**(2,025,101)**	(1,766,488)
Total equity	**4,056,304**	4,935,508

Approved and authorised for issue by the Board of Directors on 31 March 2020.

Kwok Ying Shing
Director

Mai Fan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2018	167,972	(922,983)	(755,011)
Loss and total comprehensive loss for the year	–	(1,257,647)	(1,257,647)
Issue of shares upon exercise of share options	(2,727)	–	(2,727)
Share-based payment	257,263	–	257,263
Share options lapsed	(8,366)	–	(8,366)
Balance at 31 December 2018 and 1 January 2019	**414,142**	**(2,180,630)**	**(1,766,488)**
Loss and total comprehensive loss for the year	**–**	**(317,334)**	**(317,334)**
Issue of shares upon exercise of share options	**(9,351)**	**–**	**(9,351)**
Share-based payment	**140,804**	**–**	**140,804**
Share options lapsed	**(72,732)**	**–**	**(72,732)**
Balance at 31 December 2019	**472,863**	**(2,497,964)**	**(2,025,101)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd. 今盛工程管理諮詢(深圳)有限公司	the PRC, 27 July 2001	Limited liability company	HK$714,000,000	**100%**	100%	Property development
Kaisa Urban Redevelopment Group (Shenzhen) Co., Ltd. 佳兆業城市更新集團(深圳)有限公司	the PRC, 26 March 2004	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Kaisa Group (Shenzhen) Co., Ltd. 佳兆業集團(深圳)有限公司	the PRC, 3 June 1999	Limited liability company	RMB2,826,163,980	**100%**	100%	Property development
Shenzhen Naiao Kaisa Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	the PRC, 15 February 2004	Limited liability company	RMB640,000,000	**100%**	100%	Property development
Huizhou Canrong Property Ltd. 惠州燦榮房產有限公司	the PRC, 14 January 1994	Limited liability company	RMB35,926,506	**100%**	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	the PRC, 14 December 2010	Limited liability company	RMB372,570,000	**N/A (note iii)**	100%	Property development
Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd. 兆瑞景酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	Limited liability company	HK$68,300,000	**100%**	100%	Hotel management
Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd. 可域酒店置業管理(綏中)有限公司	the PRC, 20 December 2010	Limited liability company	RMB144,653,000	**100%**	100%	Hotel management
Zhuzhou Kaisa Zhiye Co., Ltd. 株洲佳兆業置業有限公司	the PRC, 13 January 2011	Limited liability company	HK$600,000,000	**100%**	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	the PRC, 28 December 2010	Limited liability company	RMB850,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	the PRC, 7 March 2011	Limited liability company	HK$210,000,000	**100%**	100%	Property development
Zhuhai Kaisa Property Development Co.,Ltd. 珠海市佳兆業房地產開發有限公司	the PRC, 9 June 2011	Limited liability company	RMB518,000,000	**100%**	100%	Property development
Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司	the PRC, 22 June 2011	Limited liability company	US$50,000,000	**N/A (note i)**	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	the PRC, 1 July 2011	Limited liability company	RMB547,528,247	**100%**	100%	Property development
Kaisa Tourism Development Co., Ltd 佳兆業旅遊開發有限公司	the PRC, 15 July 2011	Limited liability company	HK$93,600,000	**100%**	100%	Property development
Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司	the PRC, 15 July 2011	Limited liability company	HK$246,500,000	**100%**	100%	Property development
Kaisa Property (Liaoyang) Co., Ltd. 佳兆業地產(遼陽)有限公司	the PRC, 24 August 2011	Limited liability company	US$31,000,000	**100%**	100%	Property development
Anshan Kaisa Commerce Operation Management Co., Ltd 鞍山佳兆業商業管理有限公司	the PRC, 26 September 2011	Limited liability company	US$26,582,581	**N/A (note i)**	100%	Commerce management
Kaisa Xindu Zhiye (Qingdao) Co., Ltd 佳兆業新都置業(青島)有限公司	the PRC, 18 February 2013	Limited liability company	US$60,000,000	**100%**	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	the PRC, 11 April 1992	Limited liability company	RMB98,040,000	**100%**	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	the PRC, 29 January 2007	Limited liability company	RMB50,000,000	**N/A (note ii)**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Kaisa Property Management (Shenzhen) Co., Ltd. 佳兆業物業管理(深圳)有限公司	the PRC, 20 October 1999	Limited liability company	RMB310,000,000	**100%**	100%	Property management
Kaisa Commerce Group Co., Ltd. 佳兆業商業集團有限公司	the PRC, 19 July 2004	Limited liability company	RMB1,000,000,000	**100%**	100%	Commerce management
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	the PRC, 21 March 1997	Limited liability company	RMB12,000,000	**100%**	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	the PRC, 27 October 2005	Limited liability company	RMB202,500,000	**100%**	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	the PRC, 6 September 2004	Limited liability company	RMB38,000,000	**100%**	100%	Property development
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	the PRC, 3 March 2006	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	the PRC, 14 September 2007	Limited liability company	RMB1,000,000	**100%**	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	the PRC, 4 July 2008	Limited liability company	RMB10,000,000	**80%**	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	the PRC, 22 June 2007	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	the PRC, 4 January 2007	Limited liability company	RMB10,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	the PRC, 22 November 2007	Limited liability company	RMB155,000,000	**100%**	100%	Property development
Nanchong Kaisa Property Co., Ltd. 南充市佳兆業房地產有限公司	the PRC, 10 December 2010	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	the PRC, 14 December 2010	Limited liability company	US$21,056,200	**100%**	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司	the PRC, 16 December 2010	Limited liability company	US$67,000,000	**N/A**	N/A (note iii)	Property development
Shenzhen Henggang Kaisa Investment Consulting Co., Ltd. 深圳市橫崗佳兆業投資諮詢有限公司	the PRC, 3 June 2011	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Anshan Junhuishangpin Property Development Co., Ltd. 鞍山君匯上品房地產開發有限公司	the PRC, 28 June 2011	Limited liability company	US$24,210,830	**100%**	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd. 萬瑞發地產(鞍山)有限公司	the PRC, 28 June 2011	Limited liability company	US$19,115,864	**100%**	100%	Property development
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	the PRC, 21 October 2011	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shanghai Xiangyi Management Consulting Co., Ltd. 上海向益管理諮詢有限公司	the PRC, 3 November 2011	Limited liability company	RMB25,000,000	**100%**	100%	Property development
Chongqing Shenlian Investment Co., Ltd. 重慶深聯投資有限公司	the PRC, 22 August 2012	Limited liability company	RMB20,000,000	**60%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Dongguan Yulongshan Property Development Co., Ltd. 東莞市御龍山房地產開發有限公司	the PRC, 9 April 2013	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Chongqing Tanxun Wulianwang Technology Co., Ltd. 重慶談訊物聯網科技有限公司	the PRC, 13 November 2013	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Kaisa E-Commerce (Shenzhen) Co., Ltd. 佳兆業電子商務(深圳)有限公司	the PRC, 24 February 2014	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Shenzhen no.1 Warehouse Fast Network Co., Ltd. 深圳市一號倉佳速網絡有限公司	the PRC, 9 December 2014	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Boluo Guifangyuan Real Estate Development Co., Ltd. 博羅縣桂芳園房地產開發有限公司	the PRC, 17 November 2018	Limited liability company	RMB10,000,000	**N/A (note ii)**	100%	Property development
Wuhan Haiding Property Co., Ltd. 武漢市海鼎置業有限責任公司	the PRC, 22 November 2002	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Shanghai Yuwan Mega Real Estate Development Co., Ltd. 上海裕灣兆業房地產開發有限公司	the PRC, 10 November 2016	Limited liability company	RMB30,000,000	**75%**	75%	Property development
Chongqing Xintong Real Estate Development Co., Ltd. 重慶市新事通房地產開發有限公司	the PRC, 27 December 2016	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Shenzhen Zhenhua Harbour Enterprise Limited 深圳圳華港灣企業有限公司	the PRC, 3 May 1984	Limited liability company	RMB21,000,000	**51%**	51%	Property development
Shenzhen Nanao Hotel Co., Ltd. 深圳市南澳大酒店有限公司	the PRC, 4 September 2000	Limited liability company	RMB5,000,000	**N/A (note ii)**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Shenzhen Sanlian Kendu Pharmaceutical Co., Ltd. 深圳三聯肯渡製藥股份有限公司	the PRC, 25 September 1995	Limited liability company	RMB100,000,000	**70%**	70%	Property development
Shaoxing Hongjia Housing Co., Ltd. 紹興鴻佳置業有限公司	the PRC, 25 July 2016	Limited liability company	RMB30,000,000	**70%**	70%	Property development
Guangzhou International Toys and Gift City Co., Ltd. 廣州國際玩具禮品城有限公司	the PRC, 31 October 2003	Limited liability company	RMB370,000,000	**90%**	N/A (note ii)	Property development
Zhuhai Jia Jun Investment Company Limited 珠海市佳駿投資有限公司	the PRC, 18 May 2016	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Hunan Xian Yong Real Estate Development Co., Ltd. 湖南湘永房地產開發有限公司	the PRC, 12 October 2009	Limited liability company	RMB408,160,000	**N/A (note ii)**	100%	Property development
Nanjing Kaisa Jiayu Real Estate Development Company Limited 南京佳兆業佳御房地產開發有限公司	the PRC, 21 July 2016	Limited liability company	RMB50,000,000	**N/A (note ii)**	100%	Property development
Xinzheng Henderson Real Estate Development Company Limited 新鄭市佳兆業房地產開發有限公司	the PRC, 14 July 2017	Limited liability company	RMB400,000,000	**100%**	100%	Property development
Suzhou Tongjia Real Estate Development Co., Ltd. 蘇州市同佳房地產開發有限公司	the PRC, 17 July 2016	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Zhongshan Real Estate Development Co., Ltd. Tomizawa 中山富澤房地產開發有限公司	the PRC, 17 March 2015	Limited liability company	RMB10,000,000	**80%**	80%	Property development
Hangzhou Jiaxin Zhiye Co., Ltd. 杭州佳欣置業有限公司	the PRC, 18 September 2016	Limited liability company	RMB4,093,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Hangzhou Wance Zhiye Co., Ltd. 杭州萬冊置業有限公司	the PRC, 11 August 2016	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Hunan Ding Cheng Da Real Estate Development Co., Ltd. 湖南鼎誠達房地產開發有限公司	the PRC, 26 September 2012	Limited liability company	RMB100,000,000	**80%**	80%	Property development
Zhongshan Fugang Real Estate Development Co., Ltd. 中山富港房地產開發有限公司	the PRC, 16 March 2017	Limited liability company	RMB150,600,000	**N/A (note ii)**	80%	Property development
Jiashan Shangwan Real Estate Development Co., Ltd. 嘉善尚灣房地產開發有限公司	the PRC, 13 October 2017	Limited liability company	RMB8,000,000	**51%**	51%	Property development
Shenzhen Woodland Height Shiye Co., Ltd. 深圳市桂芳園實業有限公司	the PRC, 13 October 2003	Limited liability company	RMB500,000,000	**100%**	100%	Property development
Huizhou Jinhu Property Development Co., Ltd. 惠州市金湖房地產有限公司	the PRC, 26 March 1993	Limited liability company	RMB100,000,000	**N/A (note ii)**	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	the PRC, 14 November 2006	Limited liability company	RMB204,680,000	**100%**	100%	Property development
Chengdu Nanxing Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	the PRC, 5 November 2004	Limited liability company	RMB420,000,000	**100%**	100%	Property development
Hunan Kaisa Property Development Co., Ltd. 湖南佳兆業房地產開發有限公司	the PRC, 21 August 2007	Limited liability company	RMB220,000,000	**100%**	100%	Property development
Shenzhen Dapeng Kaisa Property Development Co., Ltd. 深圳市大鵬佳兆業房地產開發有限公司	the PRC, 17 November 2000	Limited liability company	RMB100,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Shenzhen Taijian Construction & Engineering Co., Ltd. 深圳市泰建建築工程有限公司	the PRC, 19 July 2007	Limited liability company	RMB1,000,000,000	**100%**	100%	Construction engineering
Shenzhen Xingwoer Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	the PRC, 29 January 1999	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shanghai Xinwan Investment Development Co., Ltd. 上海新灣投資發展有限公司	the PRC, 17 January 2007	Limited liability company	RMB35,000,000	**100%**	100%	Property development
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	the PRC, 29 August 2007	Limited liability company	RMB60,000,000	**N/A (note ii)**	100%	Property development
Boluo Kaisa Real Estate Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	the PRC, 2 June 2008	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shenzhen Golden Bay Hotel Co., Ltd. 深圳市金沙灣大酒店有限公司	the PRC, 17 June 1997	Limited liability company	RMB50,000,000	**100%**	100%	Hotel management
Leisure Land Hotel Property Management Jiangyin Co., Ltd 可域酒店置業管理江陰有限公司	the PRC, 15 October 2009	Limited liability company	RMB150,000,000	**100%**	100%	Property development
Shenzhen Tianlian Industry Development Co., Ltd. 深圳市天利安實業發展有限公司	the PRC, 4 September 2002	Limited liability company	RMB46,000,000	**100%**	100%	Property development
Jiangsu Kaisa Investment Co.,Ltd. 江蘇佳兆業投資有限公司	the PRC, 18 May 2010	Limited liability company	RMB15,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Baoji Crafts (Shenzhen) Co.,Ltd. 寶吉工藝品(深圳)有限公司	the PRC, 28 December 1988	Limited liability company	RMB877,725,000	**100%**	100%	Property development
Jiangyin Washington Waterfront Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	the PRC, 10 December 2010	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	the PRC, 7 January 2010	Limited liability company	RMB260,000,000	**100%**	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	the PRC, 22 February 2011	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Dalian Kaisa Commerce Operation Management Co., Ltd. 大連市佳兆業商業經營管理有限公司	the PRC, 18 March 2011	Limited liability company	RMB120,000,000	**100%**	100%	Commerce management
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	the PRC, 19 April 2011	Limited liability company	RMB800,000,000	**100%**	100%	Property development
Kaisa Dai River East Property Development Co., Ltd. 佳兆業東戴河房地產開發有限公司	the PRC, 6 July 2011	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Hunan Mingtai Zhiye Development Co., Ltd. 湖南明泰置業發展有限公司	the PRC, 12 October 2000	Limited liability company	RMB310,000,000	**N/A (note ii)**	100%	Property development
Shenzhen Yuefeng Investment Co., Ltd. 深圳市悅峰投資有限公司	the PRC, 25 April 2012	Limited liability company	RMB100,000,000	**100%**	100%	Property development
Guangzhou Yaxiang Property Development Co., Ltd. 廣州市雅翔房地產開發有限公司	the PRC, 7 May 2012	Limited liability company	RMB918,370,000	**60.48% (note 40(c))**	N/A (note ii)	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Taizhou Kaisa Jiangshan Property Development Co., Ltd 泰州佳兆業江山房地產開發有限公司	the PRC, 30 December 2011	Limited liability company	RMB50,000,000	**51%**	100%	Property development
Kaisa Property (Shanghai) Co., Ltd. 佳兆業地產(上海)有限公司	the PRC, 17 July 2012	Limited liability company	RMB30,000,000	**N/A (note i)**	100%	Property development
Wuhan Kaisa Investment Co., Ltd 武漢市佳兆業投資有限公司	the PRC, 13 July 2012	Limited liability company	RMB250,000,000	**100%**	100%	Property development
Shanghai Jinwan Zhaoye Property Development Co., Ltd. 上海金灣兆業房地產開發有限公司	the PRC, 2 August 2012	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Jiangyin Binjiangyayuan Property Development Co., Ltd 江陰濱江雅園房地產開發有限公司	the PRC, 14 September 2012	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Dalian Huapu Zhiye Co., Ltd. 大連華普置業有限公司	the PRC, 9 December 2009	Limited liability company	RMB100,000,000	**100%**	100%	Property development
Shanghai Jiawan Zhaoye Property Co., Ltd 上海嘉灣兆業房地產有限公司	the PRC, 24 December 2012	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd. 佳兆業文化體育(深圳)有限公司	the PRC, 25 January 2013	Limited liability company	RMB72,000,000	**90%**	90%	Commerce management
Kaisa Property (Hangzhou) Co., Ltd. 佳兆業房地產(杭州)有限公司	the PRC, 6 March 2013	Limited liability company	RMB40,820,000	**100%**	100%	Property development
Chengdu Tianjia Zhiye Co., Ltd. 成都天佳置業有限公司	the PRC, 19 April 2013	Limited liability company	RMB200,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Shenzhen Jiawangji Property Development Co., Ltd. 深圳市佳旺基房地產開發有限公司	the PRC, 5 February 2010	Limited liability company	RMB50,000,000	**70%**	70%	Property development
Wuhan Junhui Property Development Co., Ltd. 武漢市君匯房地產開發有限公司	the PRC, 20 May 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shanghai Yingwan Zhaoye Property Development Co., Ltd. 上海贏灣兆業房地產有限公司	the PRC, 20 June 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shanghai Rongwan Zhaoye Property Development Co., Ltd. 上海榮灣兆業房地產開發有限公司	the PRC, 17 October 2013	Limited liability company	RMB30,000,000	**100%**	100%	Property development
Wan Tai Chang Property Development (Suizhong) Co., Ltd. 萬泰昌房地產開發(綏中)有限公司	the PRC, 15 October 2013	Limited liability company	HK$428,999,750	**100%**	100%	Property development
Hangxilongye Property (Hangzhou) Co., Ltd. 杭溪隆業房地產(杭州)有限公司	the PRC, 26 June 2013	Limited liability company	RMB98,000,000	**100%**	100%	Property development
Shanghai Chengwan Zhaoye Property Development Co., Ltd. 上海誠灣兆業房地產有限公司	the PRC, 2 August 2013	Limited liability company	RMB58,820,000	**100%**	100%	Property development
Hunan Daye Property Development Co., Ltd. 湖南達業房地產開發有限公司	the PRC, 9 August 2013	Limited liability company	RMB100,000,000	**100%**	100%	Property development
Chongqing Kaisa Property Development Co., Ltd. 重慶佳兆業房地產開發有限公司	the PRC, 13 November 2013	Limited liability company	RMB946,675,000	**100%**	100%	Property development
Guanzhou Zhaochang Property Development Co., Ltd. 廣州市兆昌房地產開發有限公司	the PRC, 21 June 2013	Limited liability company	RMB30,000,000	**94.9% (note 40(c))**	N/A (note ii)	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	the PRC, 15 September 2006	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Fenglong Group Co., Ltd. 豐隆集團有限公司	the PRC, 29 October 1993	Limited liability company	RMB168,000,000	**100%**	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	the PRC, 14 January 1994	Limited liability company	HK$256,026,685	**100%**	100%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	the PRC, 24 March 2008	Limited liability company	US$3,794,256	**100%**	100%	Property development
Kaisa Real Estate Jiangyin Co., Ltd. 佳兆業地產江陰有限公司	the PRC, 15 October 2009	Limited liability company	RMB450,000,000	**100%**	100%	Property development
Kaisa Real Estate (Liaoning) Co., Ltd. 佳兆業地產(遼寧)有限公司	the PRC, 28 January 2010	Limited liability company	RMB1,086,670,000	**100%**	100%	Property development
Shenzhen Zhengchangtai Investment Consulting Co., Ltd 深圳市正昌泰投資諮詢有限公司	the PRC, 13 June 2007	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development Co., Ltd 萬裕昌計算機技術開發(深圳)有限公司	the PRC, 26 October 2001	Limited liability company	HK$2,000,000	**100%**	100%	Commerce management
Kaisa Holdings Limited 佳兆業集團有限公司	HK, 16 July 1999	Limited liability company	HK$10,000	**100%**	100%	Property development
Beijing Jinmao Caixun Xinci Co., Ltd 北京金貿財迅資訊有限公司	the PRC, 5 December 2005	Limited liability company	RMB24,400,000	**100%**	100%	Commerce management
Dong Sheng Investment Company Limited 東升投資有限公司	BVI, 25 July 2007	Limited liability company	US$1	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Rui Jing Investment Company Limited 瑞景投資有限公司	BVI, 23 July 2007	Limited liability company	HK$1	**100%**	100%	Investment holding
Kaisa (Huizhou) Road Construction Development Co., Ltd. 佳兆業(惠州)道路建設發展有限公司	the PRC, 2 February 2008	Limited liability company	US$40,000,000	**100%**	100%	Commerce management
Tai An Da Investment Company Limited 泰安達投資有限公司	BVI, 2 March 2010	Limited liability company	US$2	**100%**	100%	Investment holding
Wan Rui Fa Investment Company Limited 萬瑞發投資有限公司	HK, 2 March 2010	Limited liability company	HK$10,000	**100%**	100%	Investment holding
Tai He Sheng Investment Company Limited 泰和盛投資有限公司	BVI, 2 March 2010	Limited liability company	US$1	**100%**	100%	Investment holding
Tai Chong Li Investment Company Limited 泰昌利投資有限公司	BVI, 2 March 2010	Limited liability company	US$1	**100%**	100%	Investment holding
Wan Jin Chang Investment Limited 萬晉昌投資有限公司	HK, 2 March 2010	Limited liability company	HK$1	**100%**	100%	Investment holding
Wan Rui Chang Investment Company Limited 萬瑞昌投資有限公司	HK, 2 March 2010	Limited liability company	HK$1	**100%**	100%	Investment holding
Wan Tai Chang Investment Company Limited 萬泰昌投資有限公司	HK, 2 March 2010	Limited liability company	HK$1	**100%**	100%	Investment holding
Shenzhen Kaisa Hotel Management Co., Ltd. 深圳市佳兆業酒店管理有限公司	the PRC, 15 September 2010	Limited liability company	RMB110,750,000	**100%**	100%	Hotel management
Hong Kong Kaisa Industry Co.,Limited 香港佳兆業實業有限公司	HK, 24 November 2010	Limited liability company	US$1,000	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Changzhou Kaisa Property Development Co., Ltd 常州佳兆業房地產開發有限公司	the PRC, 8 December 2010	Limited liability company	RMB506,958,095	**100%**	100%	Property development
Sunny Sino Investments Limited 熙華投資有限公司	HK, 21 September 2011	Limited liability company	US$1	**100%**	100%	Investment holding
Xifeng Management Consulting (Shenzhen) Co., Ltd. 熙豐管理諮詢(深圳)有限公司	the PRC, 17 November 2011	Limited liability company	RMB1,000,000	**100%**	100%	Commerce management
Shenzhen Denghong Management Consulting Co., Ltd 深圳市德弘管理諮詢有限公司	the PRC, 8 November 2011	Limited liability company	RMB500,000,000	**100%**	100%	Commerce management
Action Enrich Limited 行裕有限公司	BVI, 2 May 2012	Limited liability company	US$1,000	**100%**	100%	Investment holding
Chengdu Dingchengda Property Development Co., Ltd 成都市鼎誠達房地產開發有限 公司	the PRC, 6 July 2012	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Zuobo Management Consulting (Shenzhen) Co., Ltd 佳兆業左博置業(深圳)有限 公司	the PRC, 21 August 2012	Limited liability company	RMB20,000,000	**100%**	100%	Property development
Wan Rui Chang Property Development (Suizhong) Co., Ltd 萬瑞昌房地產開發(綏中)有限公司	the PRC, 1 August 2012	Limited liability company	HK$244,000,000	**100%**	100%	Property development
Kaisa Property (Dandong) Co., Ltd 佳兆業地產(丹東)有限公司	the PRC, 30 October 2012	Limited liability company	US$50,500,000	**100%**	100%	Property development
Shenzhen Cixiang Kaisa Property Development Co., Ltd. 深圳市西鄉佳兆業房地產開發有限公司	the PRC, 27 May 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Splendid Maple Limited 燁楓有限公司	BVI, 21 May 2013	Limited liability company	US$10,000	**100%**	100%	Investment holding
Huidong Kaisa Property Development Limited 惠東縣佳兆業房地產開發有限公司	the PRC, 13 February 2014	Limited liability company	RMB50,000,000	**N/A (note ii)**	100%	Property development
Suzhou Kaisa Property Development Co., Ltd. 蘇州市佳兆業房地產開發有限公司	the PRC, 20 February 2014	Limited liability company	RMB196,000,000	**100%**	100%	Property development
Chengdu Jincheng Jiaye Property Development Co., Ltd. 成都錦城佳業房地產開發有限公司	the PRC, 24 February 2014	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Nanjing Aoxin Property Development Co., Ltd. 南京奧信房地產開發有限公司	the PRC, 11 November 2011	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shanghai Qingwan Zhaoye Property Development Co., Ltd. 上海青灣兆業房地產開發有限公司	the PRC, 21 August 2014	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Chengdu Jinxinrui Property Development Co., Ltd. 成都市錦新瑞房地產開發有限公司	the PRC, 7 November 2012	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shenzhen Guanyang Property Development Co., Ltd. 深圳冠洋房地產有限公司	the PRC, 5 June 2009	Limited liability company	RMB100,000,000	**51%**	51%	Property development
Shenzhen Jielingzixun Co., Ltd. 深圳市傑領資訊諮詢有限公司	the PRC, 3 November 2014	Limited liability company	RMB1,000,000	**100%**	100%	Commerce management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Hainan Kaisa Industrial Group Co., Ltd. 海南佳兆業實業集團有限公司	the PRC, 24 April 2010	Limited liability company	RMB1,000,000,000	**100%**	100%	Property development
Guangzhou Kaisa Investment Co., Ltd. 廣州佳兆業投資諮詢有限公司	the PRC, 8 March 2010	Limited liability company	RMB10,000,000	**55%**	55%	Property development
Shenzhen Kaisa Real Estate Co., Ltd. 深圳市佳兆業置業有限公司	the PRC, 7 September 2012	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shenzhen Guan Lan Kaisa Real Estate Development Co., Ltd. 深圳市觀瀾佳兆業置業發展有限公司	the PRC, 30 August 2013	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Shenzhen Jirui Real Estate Development Co., Ltd. 深圳市吉瑞置業發展有限公司	the PRC, 4 September 2014	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Shenzhen Jili Real Estate Development Co., Ltd. 深圳市吉麗房地產開發有限公司	the PRC, 25 October 2019	Limited liability company	RMB632,800,000	**100%**	N/A	Property development
Qinghai Pharmaceutical Co., Limited 青海製藥廠有限公司	the PRC, 31 May 2000	Limited liability company	RMB100,000,000	**54.84% (note 40(b))**	N/A	Manufacturing and trading of pharmaceutical products
Guangzhou Jingsheng Real Estate Development Co., Ltd. 廣州市景晟房地產開發有限公司	the PRC, 8 August 2019	Limited liability company	RMB10,000,000	**100%**	N/A	Property development
Dalian Shizhan Real Estate Development Co., Ltd. 大連世展房地產開發有限公司	the PRC, 26 January 2014	Limited liability company	RMB138,000,000	**100% (note iv)**	N/A	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Chongqing Kunzhourun Real Estate Development Co., Ltd. 重慶琨洲潤置業發展有限公司	the PRC, 31 July 2018	Limited liability company	RMB20,080,000	**100% (note iv)**	N/A	Property development
Ningbo Kangzheng Real Estate Development Co., Ltd. 寧波康正置業有限公司	the PRC, 20 October 2017	Limited liability company	RMB100,000,000	**30%**	30%	Property development
Hengyang Hengji Real Estate Development Co., Ltd. 衡陽恒基置業有限公司	the PRC, 27 October 2010	Limited liability company	RMB81,600,000	**51%**	51%	Property development
Zhongshan Jiaxu Property Development Limited 中山佳旭房地產開發有限公司	the PRC, 23 August 2018	Limited liability company	RMB5,000,000	**80%**	100%	Property development
Chengdu Huaguan Keheng Technology Co., Ltd. 成都華冠可恒科技有限公司	the PRC, 26 June 2017	Limited liability company	RMB40,816,327	**51%**	51%	Property development
Chengdu Jinxi Shengrong Real Estate Development Co., Ltd. 成都錦熙晟榮房地產開發有限公司	the PRC, 26 April 2017	Limited liability company	RMB10,000,000	**51%**	51%	Property development
Qingdao Jiake Real Estate Development Co., Ltd. 青島佳科房地產開發有限公司	the PRC, 25 December 2018	Limited liability company	RMB10,000,000	**51%**	51%	Property development
Foshan Fojia Real Estate Development Co., Ltd. 佛山市佛佳房地產開發有限公司	the PRC, 24 May 2018	Limited liability company	RMB30,000,000	**100%**	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Bazhou Yujingxuan Real Estate Development Co., Ltd. 霸州市裕景軒房地產開發有限公司	the PRC, 8 August 2017	Limited liability company	RMB5,000,000	**51%**	51%	Property development
Shenzhen Longfei Textile limited liabilities Co., Ltd. 深圳市龍飛紡織工業有限責任公司	the PRC, 20 October 1992	Limited liability company	RMB359,693,539	**95% (note iv)**	N/A	Property development
Chengdu Jiaruihua Real Estate Development Co., Ltd. 成都佳瑞華房地產開發有限公司	the PRC, 19 October 2017	Limited liability company	RMB10,000,000	**100%**	100%	Property development
Xingbotong Electrical (Shenzhen) Co., Ltd. 興博通電子(深圳)有限公司	the PRC, 28 May 2001	Limited liability company	RMB390,000,000	**100%**	100%	Property development
Shenzhen Baolijianye Investment Co., Ltd. 深圳市保利建業投資有限公司	the PRC, 6 November 2012	Limited liability company	RMB80,000,000	**53.40%**	53.4%	Property development
Suzhou Jiayuanhuafu Real Estate Development Co., Ltd. 蘇州市佳源華府房地產開發有限公司	the PRC, 17 January 2018	Limited liability company	RMB50,209,400	**100%**	100%	Property development
Shenzhen Ruijing Information Consulting Co., Ltd. 深圳市瑞景信息諮詢有限公司	the PRC, 10 January 2017	Limited liability company	RMB50,000,000	**100%**	100%	Property development
Huizhou Jiashang Investment Co., Ltd. 惠州市佳尚投資有限公司	the PRC, 1 August 2017	Limited liability company	RMB10,000,000	**70%**	70%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Shenzhen Dashengtong Real Estate Development Co., Ltd. 深圳市達盛通置業有限公司	the PRC, 28 April 2016	Limited liability company	RMB10,000,000	**30%**	30%	Property development
Shenzhen Shipping Group Co., Ltd. 深圳市航運集團有限公司	the PRC, 24 March 1982	Limited liability company	RMB70,000,000	**70%**	70%	Water-way passenger and cargo transportation
Pinggu Nuoxin Real Estate Development (Dalian) Co., Ltd. 平谷諾信置業(大連)有限公司	the PRC, 8 November 2011	Limited liability company	RMB90,812,600	**100% (note iv)**	N/A	Property development
Shenzhen Dapeng Shipping Co., Ltd. 深圳市鵬星船務有限公司	the PRC, 1 December 1982	Limited liability company	RMB5,000,000	**70%**	70%	Water-way passenger and cargo transportation
Shenzhen Football Club Co., Ltd. 深圳市足球俱樂部有限公司	the PRC, 28 October 1994	Limited liability company	RMB110,000,000	**90%**	90%	Cultural operation
Kaisa Prosperity Holdings Limited 佳兆業美好集團有限公司	Cayman Islands, 13 October 2018	Limited liability company	RMB1,232,000	**75%**	75%	Investment holding
Zhongshan Runbang Real Estate Development Co., Ltd. 中山市潤邦房地產開發有限公司	the PRC, 24 May 2012	Limited liability company	RMB1,000,000	**100%**	100%	Property development
Chengdu Shengshi Phoenix Nest Property 成都盛世凰巢置業有限公司	the PRC, 7 January 2014	Limited liability company	RMB30,000,000	**100%**	100% (note iv)	Property development
Chongqing Dingzhu Development Co., Ltd. 重慶鼎鑄實業發展有限公司	the PRC, 28 June 2018	Limited liability company	RMB18,000,000	**N/A (note ii)**	100% (note iv)	Property development
Zhuhai Hao Hui Business Service Co., Ltd. 珠海浩輝商務服務有限公司	the PRC, 28 May 2015	Limited liability company	RMB10,000,000	**100%**	100% (note iv)	Commerce management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment	Type of legal entity	Nominal value of issued and fully paid share capital/ paid-in-capital	Percentage of attributable equity interest 2019	2018	Principal activities
Xinxiang Kaisa Real Estate Development Co., Ltd. 新鄉市佳兆業房地產開發有限公司	the PRC, 23 August 2018	Limited liability company	RMB10,000	**51% (note ii)**	100%	Property development
Suizhong Jia Yue Real Estate Development Co., Ltd. 綏中佳悅房地產開發有限公司	the PRC, 21 August 2018	Limited liability company	RMB5,000	**100%**	100%	Property development
Zhangjiang Kaisa Top Quality Real Estate Development Co., Ltd. 張家港市佳兆業上品房地產開發有限公司	the PRC, 2 July 2018	Limited liability company	RMB5,000	**100%**	N/A	Property development
Xuzhou Jiale Real Estate Development Co., Ltd. 徐州佳樂房地產開發有限公司	the PRC, 27 June 2018	Limited liability company	RMB17,500,000	**51%**	51%	Property development
Shaoxing Ming Yue Real Estate Co., Ltd. 紹興明悅置業有限公司	the PRC, 25 July 2016	Limited liability company	RMB2,000	**51%**	100%	Property development

Notes:

(i) The Group entered into agreements with a number of investors to dispose certain equity interests in certain subsidiaries. Upon shares transferred, the Group lost its control in these subsidiaries. These companies ceased to be subsidiaries of the Group and were accounted for as joint ventures of the Group, using equity method, see note 41(a).

(ii) The Group entered into agreements with a number of investors for the capital injection in certain subsidiaries. Upon capital injection, the Group's equity interest in these subsidiaries have been diluted from 100% and lost control in these subsidiaries. These companies ceased to be subsidiaries of the Group, and were accounted for as joint ventures and associates of the Group, using equity method, see note 41(b).

(iii) The Group sell its completed properties held for sales and properties under development to independent third parties through disposals of companies. The consideration was recorded as revenue during the years ended 31 December 2019 and 31 December 2018.

(iv) The Group acquired assets through acquisitions of subsidiaries. See note 40(a).

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

The table below shows details of non-wholly owned subsidiary of the Company that is individual material non-controlling interests of the Group as at 31 December 2019 and 2018:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				RMB'000	RMB'000	**RMB'000**	RMB'000
Shenzhen Marine and its subsidiaries ("Shenzhen Marine Group") (note i)	the PRC	**30%**	30%	**16,238**	60,344	**10,314,280**	10,298,042

Notes:

i As at 31 December 2019, the Group held 70% (2018: 70%) equity interest in Shenzhen Marine, which indirectly held 51% (2018: 51%) equity interest in Shenzhen Zhenhua Harbour Enterprise Limited* ("深圳圳華港灣企業有限公司").

ii During the year ended 31 December 2019, the Group entered into cooperation agreements with independent third parties, it is agreed that the Group and the investors set up certain subsidiaries with total contribution amounts of RMB8,211,000,000 and RMB7,889,000,000 (2018: RMB1,632,000,000 and RMB1,568,000,000) respectively to obtain the lands for further development. Upon capital injection, the Group and the investors had 51% and 49% (2018: 51% and 49%) equity interest in these subsidiaries.

* The english translation of the name of the Company established in the PRC is for reference only. The official name of the Company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Continued)

Summarised financial information in respect of the Group's subsidiary with individual material non-controlling interest as set out below. The summarised financial information below represents amounts before intra-group eliminations.

	Shenzhen Marine Group	
	2019	2018
	RMB'000	RMB'000
Current assets	**17,414,404**	16,957,815
Non-current assets	**3,208,906**	771,977
Current liabilities	**(4,583,505)**	(2,693,926)
Non-current liabilities	**(977,507)**	(27,695)
Equity	**15,062,298**	15,008,171
Equity attributable to owners of the Company	**4,748,018**	4,710,129
Equity attributable to non-controlling interests	**10,314,280**	10,298,042

	Shenzhen Marine Group	
	2019	2018
	RMB'000	RMB'000
Revenue	**898,178**	826,598
Profit for the year	**65,983**	187,923
Other comprehensive income/(loss) for the year	**(11,856)**	13,227
Total comprehensive income attributable to owners of the Company	**37,889**	140,806
Total comprehensive income attributable to the non-controlling interests	**16,238**	60,344
Total comprehensive income for the year	**54,127**	201,150
Net cash from operating activities	**92,976**	632,826
Net cash used in investing activities	**(1,297,276)**	(664,883)
Net cash from financing activities	**1,404,013**	57,076
Net cash inflow/(outflow)	**199,713**	25,019

Amount less than RMB1,000

REGISTERED OFFICES

Registered Office

Kaisa Group Holdings Ltd.
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Place of Business in Hong Kong

Kaisa Group Holdings Ltd.
30/F
The Center
99 Queen's Road
Central
Hong Kong

TRUSTEE AND COMMON SECURITY TRUSTEE

Citicorp International Limited
20/F, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

LEGAL ADVISORS TO US

As to U.S. and Hong Kong Law

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central, Hong Kong

As to Cayman Islands Law and British Virgin Islands Law

Harney Westwood & Riegels LP
Craigmuir Chambers
PO Box 71 Road Town
Tortola VG1110
British Virgin Islands

As to PRC Law

Commerce & Finance Law Offices
12-14th Floor
China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. Law

Linklaters
11th Floor
Alexandra House
Chater Road
Hong Kong

As to PRC Law

Jia Yuan Law Office
F408 Ocean Plaza
158 Fuxing Men Nei Ave
Xicheng District
Beijing 100031, China

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited
Level 12
28 Hennessy Road
Wanchai
Hong Kong

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542