

香港交易及結算所有限公司及香港聯合交易所有限公司對本公佈的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公佈全部或任何部分內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

如未根據美國或任何其他司法權區的證券法例辦理登記或取得資格而在任何有關司法權區內建議要約出售或游說要約購買任何證券即屬違法，則本公佈在當地不構成有關要約、游說或出售。本公佈所述的證券將不會根據證券法登記，而且除非獲得豁免遵守證券法的登記規定或屬於不受證券法登記規定約束的交易，否則不得在美國境內發售或出售。凡在美國進行任何證券公開發售，將只會以發售章程方式進行。該發售章程將載有有關提出要約的公司及其管理層及財務報表的詳細資料。本公司不擬在美國進行任何證券公開發售。



POWERLONG
宝龙

POWERLONG REAL ESTATE HOLDINGS LIMITED
寶龍地產控股有限公司

(於開曼群島註冊成立之有限責任公司)

(股份代號：1238)

海外監管公佈

本海外監管公佈乃寶龍地產控股有限公司(「本公司」)根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第13.10B條而發表。

請參閱隨附日期為2022年7月14日的發售備忘錄(「發售備忘錄」)，內容有關本公司發行2023年到期的169,770,700美元4.0%優先票據及2024年到期的262,741,000美元7.125%優先票據(「新票據」)，發售備忘錄已刊登於新加坡證券交易所有限公司網站。

在聯交所網站登載發售備忘錄僅為促進向香港投資者平等發佈信息以及遵守上市規則第13.10B條，概無任何其他目的。

發售備忘錄並不構成向任何司法權區的公眾人士要約出售任何證券的招股章程、通知、通函、冊子或廣告，亦非邀請公眾人士作出認購或購買任何證券的要約，且並非刻意邀請公眾人士作出認購或購買任何證券的要約。

發售備忘錄不得視為勸誘認購或購買本公司任何證券，亦不擬作出有關勸誘。
不應根據發售備忘錄所載資料作出任何投資決定。

承董事會命
寶龍地產控股有限公司
主席
許健康

香港，2022年7月19日

於本公佈日期，本公司執行董事為許健康先生、許華芳先生、肖清平先生、施思妮女士及張洪峰先生；本公司非執行董事為許華芬女士；而本公司獨立非執行董事為魏偉峰博士、梅建平博士及丁祖昱博士。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS OUTSIDE THE UNITED STATES

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

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

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The New 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 MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “IDD”), 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 (the “PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The New 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 IDD, 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 PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1) of the Securities and Futures Act 2001 of Singapore (the “SFA”) — The Company has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)) that the New 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).

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Haitong International Securities Company Limited (the “Dealer Manager”) or any person who controls any of the Dealer Manager or any director, officer, employee or agent of the Dealer Manager or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Dealer Manager.

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



POWERLONG

宝龙

Powerlong Real Estate Holdings Limited

宝龙地产控股有限公司

(incorporated with limited liability under the laws of the Cayman Islands)

US\$169,770,700 4.0% SENIOR NOTES DUE 2023

US\$262,741,000 7.125% SENIOR NOTES DUE 2024

The 4.0% Senior Notes due 2023 in the aggregate principal amount of US\$169,770,700 (the “July 2023 New Notes”) and the 7.125% Senior Notes due 2024 in the aggregate principal amount of US\$262,741,000 (the “January 2024 New Notes,” together with the July 2023 New Notes, the “New Notes”) will be issued by Powerlong Real Estate Holdings Limited (the “Company”).

The July 2023 New Notes bear interest from July 15, 2022 at 4.0% per annum, payable semi-annually in arrears on January 15 and July 14, 2023. The July 2023 New Notes will mature on July 14, 2023. The January 2024 New Notes bear interest from July 15, 2022 at 7.125% per annum, payable in arrears on January 15, 2023, July 15, 2023 and January 15, 2024. The January 2024 New Notes will mature on January 15, 2024.

At any time prior to July 14, 2023 and January 15, 2024, we may, at our option, redeem the July 2023 New Notes and January 2024 New Notes, respectively, in whole or in part, at a redemption price equal to 100% of the principal amount of the respective New Notes, and accrued and unpaid interest, if any, to (but not including) the redemption date.

The New Notes are general obligations of the Company, guaranteed (the “Subsidiary Guarantees”) by its existing subsidiaries (the “Subsidiary Guarantors”) other than (i) those organized under the laws of the PRC, (ii) certain other subsidiaries that are guaranteeing the New Notes (the “JV Subsidiary Guarantees”) on a limited recourse basis (the “JV Subsidiary Guarantors”) and (iii) certain other subsidiaries specified in the “Description of the July 2023 New Notes” and “Description of the January 2024 New Notes”.

The New Notes will (1) be general obligations of the Company; (2) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) rank at least *pari passu* in right of payment against the Company with respect to all unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (4) be 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; and (5) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the “Description of the July 2023 New Notes” and “Description of the January 2024 New Notes”). However, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees and the pledge of any collateral. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the New Notes, see “Description of the July 2023 New Notes” and “Description of the January 2024 New Notes.”

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

Approval-in-principle has been received for the listing and quotation of the New Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the New Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the New Notes. The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$150,000 of principal amount and integral multiples of US\$1 in excess thereof.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States. The New Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions.”

It is expected that the delivery of the New Notes will be made on or about July 15, 2022 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”).

The date of this offering memorandum is July 14, 2022

TABLE OF CONTENTS

	<u>Pages</u>		<u>Pages</u>
Summary	1	Management	114
The Offering	3	Principal Shareholders	121
Summary Consolidated Financial and Other Data	10	Description of Other Material Indebtedness	122
Risk Factors	13	Description of the July 2023 New Notes . .	148
Use of Proceeds	45	Description of the January 2024 New Notes .	217
Consolidated Financial and Other Data . . .	46	Taxation	287
Results of Operations	49	Transfer Restrictions	289
Corporate Structure	52	Legal Matters	290
Business	59	Independent Auditor	291
Recent Developments	85	General Information	292
Regulation	86	Index to Financial Information	F-1

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY NOTE OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The New 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 MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “IDD”), 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 (the “PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The New 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 IDD, 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 PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the New Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1) SFA — The Company has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA, as modified or amended from time to time)) that the New 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).

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different from that contained in this offering memorandum. We are offering to sell, and seeking offers to buy, the New Notes only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the New Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is highly confidential. This offering memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the New Notes. We are providing it solely for the purpose of enabling you to consider a purchase of the New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

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

No representation or warranty, express or implied, is made by Citicorp International Limited, as Trustee (the “Trustee”) and Security Agent, Citibank, N.A., London Branch, as Registrar, Paying Agent and Transfer Agent (collectively the Security Agent, the Registrar, the Transfer Agent and the Paying Agent, the “Agents”) or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Dealer Manager, the Trustee nor the Agents has independently verified any of the information contained in this offering memorandum and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Dealer Manager, the Trustee nor the Agents or any of their respective affiliates or advisers accepts any responsibility for the contents of this offering memorandum or for any other statement in connection with the issue and offering of the New Notes. Each of the Dealer Manager, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which might otherwise have in respect of this offering memorandum or any such statement.

None of the Dealer Manager, the Trustee nor the Agents or any of their respective affiliates or advisors undertakes to review the financial condition or affairs of the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors during the life of the arrangements contemplated by this offering memorandum nor to advise any investor or potential investor in the New Notes of any information coming to the attention of the Dealer Manager or its affiliates.

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 Dealer Manager, the Trustee nor the Agents or any person affiliated with the Dealer Manager, the Trustee nor the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of our company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser.

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

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B(1) SFA — The Company has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA, as modified or amended from time to time)) that the New 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).

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

We reserve the right to withdraw the offering of the New Notes at any time.

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” and words of similar import, we are referring to Powerlong Real Estate Holdings Limited itself, or to Powerlong Real Estate Holdings Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and 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 our directors and advisors, and neither us, nor our directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the New Notes, including the merits and risks involved.

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

In this offering 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, 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 RMB6.3726 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, 2021, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7996 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2021. 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.

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

References to the “2018 Facility” are to the facility of HK\$824.0 million (with an accordion feature of up to US\$200.0 million equivalent) pursuant to a facility agreement dated July 5, 2018 (as amended and supplemented from time to time) (the “2018 Facility Agreement”) entered into by, among others, the Company, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia Limited and Tai Fung Bank. See “Description of Other Material Indebtedness — 2018 Facility.”

References to the “2019 Facility” are to the facility of HK\$514.8 million and US\$40.0 million (with an accordion feature of up to US\$200.0 million) pursuant to a facility agreement dated July 8, 2019 (as amended and supplemented from time to time) (the “2019 Facility Agreement”) entered into by, among others, the Company, CMB Wing Lung Bank Limited, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited. See “Description of Other Material Indebtedness — 2019 Facility.”

References to the “First 2020 Facility” are to the facility of HK\$824.0 million (with incremental facilities of up to US\$200.0 million) pursuant to a facility agreement dated May 13, 2020 (as amended and supplemented from time to time) (the “First 2020 Facility Agreement”) entered into by, among others, the Company and Industrial and Commercial Bank of China (Macau) Limited. See “Description of Other Material Indebtedness — First 2020 Facility.”

References to the “2023 Notes” are to our US\$170.0 million 6.95% Senior Notes due 2023 issued on July 23, 2019 and an additional US\$250.0 million aggregate principal amount of 6.95% senior notes due 2023 issued on June 17, 2020, pursuant to an indenture dated July 23, 2019. See “Description of Other Material Indebtedness — 2023 Notes.”

References to the “First 2021 Facility” are to the facility of HK\$400.0 million pursuant to a facility agreement dated June 3, 2021 (as amended and supplemented from time to time) (the “First 2021 Facility Agreement”) entered into by, among others, the Company and Tai Fung Bank Limited. See “Description of Other Material Indebtedness — First 2021 Facility.”

References to the “Second 2022 Notes” are to our US\$300.0 million 7.125% Senior Notes due 2022 issued pursuant to an indenture dated November 8, 2019. See “Description of Other Material Indebtedness — Second 2022 Notes.”

References to the “Third 2022 Notes” are to our US\$200.0 million 3.90% Senior Notes due 2022 pursuant to an indenture dated April 14, 2021.

References to the “Second 2020 Facility” are to the facility of HK\$546.0 million and US\$50.0 million (with incremental facilities of up to US\$300.0 million) pursuant to a facility agreement dated June 30, 2020 (as amended and supplemented from time to time) (the “Second 2020 Facility Agreement”) entered into by, among others, the Company and The Hongkong and Shanghai Banking Corporation Limited. See “Description of Other Material Indebtedness — Second 2020 Facility.”

References to the “Second 2021 Facility” are to the facility of US\$100.0 million (with incremental facilities of up to US\$200.0 million) pursuant to a facility agreement dated July 9, 2021 (as amended and supplemented from time to time) (the “Second 2021 Facility Agreement”) entered into by, among others, the Company and Luso International Banking Limited. See “Description of Other Material Indebtedness — Second 2021 Facility.”

References to the “2024 Notes” are to our US\$200.0 million 6.25% Senior Notes due 2024 issued on August 10, 2020, the additional US\$150.0 million aggregate principal amount of 6.25% senior notes due 2024 issued on September 29, 2020 and the additional US\$150.0 million 6.25% Senior Notes due 2024 issued on December 15, 2021, pursuant to an indenture dated August 10, 2020. See “Description of Other Material Indebtedness — 2024 Notes.”

References to the “2025 Notes” are to our US\$200.0 million 5.95% Senior Notes due 2025 issued on October 30, 2020, the additional US\$100.0 5.95% Senior Notes due 2025 issued on December 28, 2020 and the additional US\$100.0 5.95% Senior Notes due 2025 issued on January 11, 2021. See “Description of Other Material Indebtedness — 2025 Notes.”

References to the “2026 Notes” are to our US\$200.0 million 4.9% Senior Notes due 2026 issued on May 13, 2021 pursuant to an indenture dated May 13, 2021. See “Description of Other Material Indebtedness — 2026 Notes.”

References to the “Fourth 2022 Notes” are to our US\$200.0 million 4.0% Senior Notes due 2022 pursuant to an indenture dated July 26, 2021. See “Description of Other Material Indebtedness — Fourth 2022 Notes”.

References to the “Third 2021 Facility” are to the facility of HK\$858.0 million (with incremental facilities of up to a further US\$100.0 million) pursuant to a facility agreement dated August 9, 2021 (as amended and supplemented from time to time) (the “Third 2021 Facility Agreement”) entered into by, among others, the Company and The Hongkong and Shanghai Banking Corporation Limited. See “Description of Other Material Indebtedness — Third 2021 Facility.”

Reference to the “Fifth 2022 Notes” are to our US\$100.0 million 5.0% Senior Notes due 2022 pursuant to an indenture dated October 5, 2021. See “Description of Other Material Indebtedness — Fifth 2022 Notes.”

References to “Shanghai Powerlong” are to Shanghai Powerlong Industrial Development Co., Ltd., one of our wholly owned subsidiaries incorporated in the PRC.

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

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

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) 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 a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

References to the “Hoi family” in this offering memorandum are to Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and Shih Sze Ni Cecilia.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering 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.

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

FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- the industry outlook generally;
- future developments in and the performance of the property market in the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government’s specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- disruption caused by the COVID-19 pandemic and government measures in response to the COVID-19 pandemic;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange control and rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

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

GLOSSARY OF TECHNICAL TERMS

“commodity properties”	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
“GFA”	gross floor area as approved by the relevant PRC government authority or in respect of which application has been made for approval.
“land grant contract”	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
“land grant confirmation agreement”	a confirmation given by a PRC land authority that a property developer has won the bid for the land use rights of a parcel of land in the government-organized land bidding, auction or listing-for-sale process.
“land use right transfer agreement”	an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
“land grant or transfer document”	a land grant contract, land grant confirmation agreement or land use right transfer agreement.
“LAT”	land appreciation tax.
“pre-sale”	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
“sq.ft.”	square feet.
“sq.m.”	square meter.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor or JV 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 JV Subsidiary Guarantors or such directors and officers or to enforce against us or any of the Subsidiary Guarantors or JV Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We, each of the Subsidiary Guarantors and each of the JV 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, any Subsidiary Guarantor or any JV 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, any Subsidiary Guarantor or any JV 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 Cayman Islands legal adviser, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognise or enforce against the judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognise and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

We have been advised by our BVI legal adviser, Maples and Calder (Hong Kong) LLP, that any final and conclusive monetary judgment obtained against any Subsidiary Guarantor incorporated in the BVI in the courts of the United States, for a definite sum, may be treated by the courts of the BVI as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment:

- (a) the foreign court issuing the judgment had jurisdiction in the matter and we either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (b) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- (c) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the foreign court;
- (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 natural justice.

There is uncertainty as to whether the courts of China would (i) enforce judgments of the U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor or JV 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 JV 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 New Notes. You should read the entire offering memorandum, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

BACKGROUND AND PURPOSE

During the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point. Reduced bank lending for real estate development has adversely affected access by property developers to onshore capital. Buyers’ concerns about the ability of property developers to deliver projects have adversely affected property sales. In addition, the use of pre-sale proceeds is also restricted under the applicable PRC policies. Driven by these negative onshore events, offshore capital markets have reacted negatively, which limited the Company’s funding sources to address upcoming maturities.

The property sector in China has continued to experience volatility in 2022. Further tightened bank lending, coupled with certain negative credit events, has intensified market concerns over the operations of Chinese property developers. As a result, pre-sale of Chinese property developers has generally decreased.

In addition, during the first half of 2022, there was an upsurge of COVID-19 cases in China, especially in the city of Shanghai. As of December 31, 2021, approximately 71.8% of the Group’s projects and 67.1% of the Group’s land bank were located in the Yangtze River Delta region. As such, the Group’s operational and financial performance has been adversely affected by the recent COVID-19 outbreak in Shanghai, and the Group experienced a noticeable decline in our aggregate contracted sales in recent months.

Against the backdrop of the adverse market conditions and recurrences of the COVID-19 outbreaks, the Company anticipates that the market condition in the real estate sector will remain under pressure in 2022. The Company’s management has demonstrated its resolution and commitment to mitigate the effects of the recent adverse market conditions. The Company, therefore, is striving to meet its financial commitments by prudently utilizing its existing financial resources. As part of these efforts, the Company is conducting the Exchange Offer and the Consent Solicitation.

OVERVIEW

We are a well-known property developer in China specializing in the development and operation of high-quality, large-scale, integrated commercial and residential complexes. Our existing property projects are generally located in prime positions of fast-growing cities in Jiangsu Province, Anhui Province, Zhejiang Province, Hainan Province, Sichuan Province, Guangdong Province, Fujian Province, Shandong Province, Henan Province, Hubei Province and Xiangxi Province as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality.

Our business model sets us apart from many property developers in China. We focus more on owning and operating commercial properties, and our strategy is to sell all the residential properties and a portion of the commercial properties that we develop to generate cash flow for our business operations. We retain ownership of a significant portion of our retail properties for long-term investment to generate recurring rental income and capture potential capital appreciation.

We focus primarily on fast-growing, emerging cities or districts in the Yangtze River Region and the Greater Bay Area, and have expanded our business substantially into the Bohai Region, the Central China Region and the West Strait Region. Our projects are primarily large-scale integrated commercial and residential complexes that are among the largest integrated commercial and residential projects in the cities or districts where they are located.

Our main property development projects are branded “Powerlong Plaza”, and are integrated commercial and residential complexes, typically with a total GFA ranging between 200,000 and 750,000 square meters each. The residential units in these projects target the end-user market, and the retail portions of the projects are designed to enhance the living environment for residents and other members of the surrounding community by providing easy access to staple services such as supermarkets, department stores, restaurants and fast food outlets, personal care services and movie theatres and other entertainment.

We report our revenue under the following segments, namely (i) property development; (ii) property investment; (iii) provision of commercial operational and residential property management services and (iv) other property development related services. In 2019, 2020 and 2021, property development remained our key revenue driver.

Property Development. As of December 31, 2021, we owned and operated 220 projects which are at different phases of development. As of December 31, 2021, we had 81 fully completed projects, among which 13 are located in Jiangsu Province, 11 in Fujian Province, 7 in Shandong Province, 30 in Zhejiang Province, 1 in Henan Province, 2 in Anhui Province, 14 in Shanghai Municipality, 2 in Tianjin Municipality and 1 in Sichuan Province. We had 139 projects under development or held for future development, among which 3 are located in Shanghai Municipality, 35 in Jiangsu Province, 57 in Zhejiang Province, 15 in Fujian Province, 5 in Shandong Province, 3 in Tianjin Municipality, 4 in Henan Province, 1 in Chongqing Municipality, 1 in Hainan Province, 3 in Hubei Province, 5 in Guangdong Province, 3 in Jiangxi Province and 4 in Anhui Province.

Property Investment. As of December 31, 2021, we held and operated completed investment properties, mainly shopping malls, which are mainly located at Shanghai Municipality, Hangzhou, Shaoxing, Ningbo and Jinhua in Zhejiang Province; Nanjing, Zhenjiang, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Bengbu and Fuyang in Anhui Province; Yantai, Tai'an, Qingdao in Shandong Province; Tianjin Municipality; Zhengzhou, Luoyang and Xinxiang in Henan Province; Chongqing Municipality; and Fuzhou, Xiamen, Quanzhou and Zhangzhou in Fujian Province.

Property Management. We provide after-sales property management services to the households of each project developed by us through our wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer services.

Hotel Development. As of December 31, 2021, we owned a total of 20 hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province and Henan Province. Eight of our owned hotels are operated under operating agreements we entered into with international hotel management groups and the remaining 12 are operated by us.

Our revenue in 2019, 2020 and 2021 was RMB26,041.6 million, RMB35,495.3 million and RMB39,902.5 million, respectively.

RECENT DEVELOPMENTS

Repayment of the Third 2022 Notes

On April 6, 2022, we have repaid the Third 2022 Notes.

In addition, we may from time to time conduct other capital markets activities to improve our capital structure.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. Terms used in this summary and not defined shall have the same meanings given to them in “Description of the July 2023 New Notes” and “Description of the January 2024 New Notes.”

Issuer	Powerlong Real Estate Holdings Limited (the “Company”)
Notes Offered	The 4.0% Senior Notes due 2023 in the aggregate principal amount of US\$169,770,700 (the “July 2023 New Notes”) and the 7.125% Senior Notes due 2024 in the aggregate principal amount of US\$262,741,000 (the “January 2024 New Notes,” together with the July 2023 New Notes, the “New Notes”) the Company.
Maturity Date	July 14, 2023 for the July 2023 New Notes and January 15, 2024 for the January 2024 New Notes
Interest	The July 2023 New Notes will bear interest at 4.0% per annum from July 15, 2022, payable in arrears on January 15, 2023 and July 14, 2023. The January 2024 Notes will bear interest at 7.125% per annum from July 15, 2022, payable in arrears on January 15, 2023, July 15, 2023 and January 15, 2024.
Ranking of the New Notes . . .	The New Notes: <ul style="list-style-type: none">• are general obligations of the Company;• are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;• rank and will rank at least <i>pari passu</i> in right of payment with respect to all unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);• are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “Description of the July 2023 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and “— Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees” and “Description of the January 2024 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and “— Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees,” respectively, and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;• are effectively subordinated to any 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; and• are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”, the Notes are secured by the Collateral and will:

- be entitled to a Lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness;
- 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 New Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and
- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors to the extent of the Collateral charged by each Subsidiary Guarantor Pledgor securing the New Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees Each of the 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 New Notes.

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the July 2023 Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees” and “Description of the January 2024 Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.”

The initial Subsidiary Guarantors will consist of China Alliance Worldwide Limited, Ever Famous (Hong Kong) Limited, Powerlong (BVI) I Limited, Powerlong (BVI) II Limited, Powerlong (BVI) Culture Group Holdings Limited, Powerlong (BVI) IV Limited, Powerlong (BVI) Asset Management Holdings Limited, Powerlong (Hong Kong) 1 Limited, Powerlong (Hong Kong) 2 Limited, Powerlong Art Culture Group Holdings Limited, Powerlong Land Development Limited, Powerlong Real Estate (BVI) Holdings Limited, Powerlong Real Estate (Hong Kong) Holdings Limited, Smart Line Development Limited, Next Success Estates Limited, Everland Development Limited, Fame State (Hong Kong) Limited, Powerlong Asset Management Limited, Powerlong (BVI) Hotel Group Holdings Limited, Welly Dragon (Hong Kong) Limited, Allied Creation (Hong Kong) Limited and Powerlong (Hong Kong) Hotel Group Holdings Limited. In addition, the Company may designate any Subsidiary organized outside the PRC as a Non-Guarantor Subsidiary, subject to the limitations described below under “Non-Guarantor Subsidiaries.”

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations.

Any future Restricted Subsidiary, as defined under “Description of the July 2023 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and “Description of the January 2024 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” (other than subsidiaries organized under the laws of the PRC, New Non-Guarantor Subsidiaries, Listed Subsidiaries or Exempted Subsidiaries, as defined therein), will provide a guarantee of the respective New Notes as soon as practicable after becoming a Restricted Subsidiary.

Ranking of Subsidiary
Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a Lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis with any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness; 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).

See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

JV Subsidiary Guarantees . . . A JV Subsidiary Guarantee is required to be delivered by a Subsidiary Guarantor and the Company if the Company wishes to release such Subsidiary Guarantor from its Subsidiary Guarantee following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor. The initial JV Subsidiary Guarantors are Baohui Real Estate (Hong Kong) Holdings Limited, Powerlong Golden Wheel Coral Company Limited, Powerlong Golden Wheel International Famous Limited and Powerlong Xingchuang (Hong Kong) Limited. The JV Subsidiary Guarantee of the JV Subsidiary Guarantor:

- is a general obligation of such JV Subsidiary Guarantor;
- is limited as to enforceability to the JV Entitlement Amount (as defined in the “Description of the July 2023 New Notes” and “Description of January 2024 New Notes”);
- is effectively subordinated to the 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, is senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- subject to the limitation to the JV Entitlement Amount, 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).

The Company may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date. As of the date of this offering memorandum, we have four JV Subsidiary Guarantors.

Non-Guarantor Subsidiaries . . . The Company may designate certain Subsidiaries organized outside the PRC that are Restricted Subsidiaries as “Non-Guarantor Subsidiaries,” which are not required to guarantee the New Notes, provided the Consolidated Assets of all Non-Guarantor Subsidiaries do not account for more than 25% of Total Assets.

Intercreditor Agreement The Company, the Subsidiary Guarantor Pledgors and the Security Agent, among others, entered into an intercreditor agreement dated March 9, 2011 (as supplemented by the accession deeds set out below the “Intercreditor Agreement”).

The agent on behalf of the finance parties of the 2018 Facility, the agent on behalf of the finance parties of the 2019 Facility, the 2023 Notes Trustee on behalf of the holders of the 2023 Notes, the Second 2022 Notes Trustee on behalf of the holders of the Second 2022 Notes, the agent on behalf of the finance parties of the First 2020 Facility, the agent on behalf of the finance parties of the Second 2020 Facility, the 2024 Notes Trustee on behalf of the holders of the 2024 Notes, the 2026 Notes Trustee on behalf of the holders of the 2026 Notes, the agent on behalf of the finance parties of the First 2021 Facility, the agent on behalf of the finance parties of the Second 2021 Facility, the Fourth 2022 Notes Trustee on behalf of the holders of the Fourth 2022 Notes, the agent on behalf of the finance parties of the Third 2021 Facility, the Fifth 2022 Notes Trustee on behalf of the holders of the Fifth 2022 Notes and the Trustee on behalf of the holders of the Existing Notes, each executed accession deeds to the Intercreditor Agreement on July 6, 2018, July 8, 2019, July 23, 2019, July 26, 2019, November 8, 2019, May 13, 2020, June 30, 2020, August 10, 2020, April 14, 2021, May 13, 2021, June 3, 2021, July 9, 2021, July 26, 2021, August 9, 2021, October 5, 2021 and October 30, 2020 respectively (as supplemented by such accession deeds the “Existing Intercreditor Agreement”). The Intercreditor Agreement provides, among other things, that the security interests created over the Collateral will be shared on a *pari passu* basis among (i) the lenders under the 2018 Facility, (ii) the lenders under the 2019 Facility, (iii) the holders of the 2023 Notes, (iv) the holders of the Second 2022 Notes, (v) the lenders under the First 2020 Facility, (vi) the lenders under the Second 2020 Facility, (vii) the holders of the 2024 Notes, (viii) the holders of the 2026 Notes, (ix) the lenders of the First 2021 Facility, (x) the lenders of the Second 2021 Facility, (xi) the holders of the Fourth 2022 Notes, (xii) the lenders under the Third 2021 Facility, (xiii) the holders of the Fifth 2022 Notes, (xiv) holders of the Notes, (xv) any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness.

Optional Redemption At any time prior to July 14, 2023 and January 15, 2024, the Company may at its option redeem the July 2023 New Notes and the January 2024 New Notes, respectively, in whole or in part, at a redemption price equal to 100% of the principal amount of the respective New Notes as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in “Description of the July 2023 New Notes — Optional Redemption” and “Description of the January 2024 New Notes — Optional Redemption.”

Repurchase of New Notes
Upon a Change of Control
Triggering Event Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding New Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

Redemption for Taxation
Reason Subject to certain exceptions and as more fully described herein, the Company may redeem the New Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “Description of the July 2023 Notes — Redemption for Taxation Reasons” and “Description of the January 2024 Notes — Redemption for Taxation Reasons.”

Covenants	<p>The New Notes, the Indentures governing the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue Disqualified Stock or Preferred Stock; • declare dividends on its Capital Stock or purchase or redeem Capital Stock; • make investments or other specified restricted payments; issue or sell Capital Stock of Restricted Subsidiaries; and guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and effect a consolidation or merger. <p>These covenants are subject to a number of important qualifications and exceptions described in “Description of the July 2023 New Notes — Certain Covenants” and “Description of the January 2024 Notes — Certain Covenants.”</p>
Carve-outs to Event of Default	<p>The events of default provision under the New Notes will carve out any of the 4.0% senior notes due 2022 issued under an indenture dated July 26, 2021 (the “July 2022 Notes”), 5.0% senior notes due 2022 issued under an indenture dated October 5, 2021 (the “October 2022 Notes”), and 7.125% senior notes due 2022 issued under an indenture dated November 8, 2019 (the “November 2022 Notes”) under the cross-default events, certain final judgments, involuntary bankruptcy proceedings and consents to the appointment of a receiver for all or substantially all of the property and assets of the Company or any Restricted Subsidiary. See “Description of the July 2023 New Notes — Events of Default”, “Description of the January 2024 New Notes — Events of Default” and “Risk Factors — Risks Relating to the Exchange Offer and Consent Solicitation Generally — The events of default provision under the New Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the Existing Notes.”</p>
Use of proceeds	<p>We will not receive any cash proceeds from the offering of the New Notes.</p>
Transfer Restrictions	<p>The New Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”</p>

Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$150,000 of principal amount and integral multiples of US\$1 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositor as for Euroclear or Clearstream.
Book-Entry Only	The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the July 2023 New Notes — Book-entry; Delivery and Form” and “Description of the January 2024 Notes — Book-entry; Delivery and Form.”
Delivery of the New Notes	The Company expects to make delivery of the New Notes, against payment in same-day funds on or about July 15, 2022. You should note that initial trading of the New Notes may be affected by the settlement date. See “Plan of Distribution.”
Trustee	Citicorp International Limited
Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Security Agent	Citicorp International Limited
Registrar	Citibank, N.A., London Branch
Listing	Application has been made for the listing and quotation of the New Notes on the SGX-ST. The New Notes will be traded on the SGX-ST in a minimum board lot size of US\$150,000 for so long as any of the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Security Codes	Common Code: 250070063 for the July 2023 New Notes and 250070071 for the January 2024 New Notes ISIN: XS2500700633 for the July 2023 New Notes and XS2500700716 for the January 2024 New Notes LEI number: 549300R3K12EPXCGDP22
Governing Law	The New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indentures 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 New Notes, see “Risk Factors.”

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. Except for EBITDA data and translation amounts shown in US\$, the summary financial data as of and for years ended December 31, 2019, 2020 and 2021 is derived from the audited consolidated financial statement for the years ended December 31, 2020 and 2021. Our financial statements for the years ended December 31, 2019, 2020 and 2021 have been prepared and presented in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The summary financial data below should be read in conjunction with “Results of Operations”, the consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Income Statement Information

	Year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue	26,041,632	35,495,300	39,902,461	6,184,702
Cost of sales	(16,558,591)	(22,679,514)	(27,383,411)	(4,244,306)
Gross profit	9,483,041	12,815,786	12,519,050	1,940,396
Fair value gains on investment properties — net	2,394,403	2,095,764	1,710,955	265,190
Selling and marketing costs	(984,474)	(1,096,220)	(1,392,470)	(215,827)
Administrative expenses	(1,411,133)	(1,545,590)	(1,911,870)	(296,331)
Net impairment losses on financial assets	(28,554)	(150,002)	(241,415)	(37,418)
Other income and gains — net	927,108	184,226	1,390,342	215,497
Operating profit	10,380,391	12,303,964	12,074,592	1,871,507
Finance income/(costs) — net	(899,775)	312,433	(434,718)	(67,379)
Share of profit of investments accounted for using the equity method	375,755	666,990	507,903	78,723
Profit before income tax	9,856,371	13,283,387	12,147,777	1,882,851
Income tax expenses	(3,838,474)	(4,468,037)	(4,811,652)	(745,784)
Profit for the year/period	<u>6,017,897</u>	<u>8,815,350</u>	<u>7,336,125</u>	<u>1,137,066</u>
	Year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands, expect per share data and percentages)			
Profit attributable to:				
Owners of the Company	4,041,116	6,093,216	5,992,099	928,748
Holders of Perpetual Capital Instruments	69,556	50,979	38,000	5,890
Non-controlling interests	1,907,225	2,671,155	1,306,026	202,428
	<u>6,017,897</u>	<u>8,815,350</u>	<u>7,336,125</u>	<u>1,137,066</u>

Consolidated Balance Sheet Information

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
ASSETS				
Non-current assets				
Property and equipment	5,225,130	5,221,769	6,228,971	965,463
Investment properties	51,084,641	58,243,338	78,329,755	12,140,760
Intangible assets	—	5,420	4,859	753
Goodwill	—	20,640	20,640	3,199
Investments accounted for using the equity method .	5,593,928	7,642,200	9,769,743	1,514,266
Deferred income tax assets	592,882	800,680	1,109,849	172,022
Financial assets at fair value through profit or loss .	—	313	558	86
Financial assets at fair value through other comprehensive income (“FVOCI”)	382,139	439,057	299,081	46,356
Prepayments	—	1,269,164	571,656	89,752
Trade receivables	—	—	222,781	34,530
	<u>62,878,720</u>	<u>73,642,581</u>	<u>96,557,893</u>	<u>15,159,891</u>
Current assets				
Properties under development	36,446,920	48,719,297	70,865,579	11,126,117
Completed properties held for sale	10,617,428	14,589,666	16,833,381	2,642,893
Contract assets	279,916	406,338	557,363	87,508
Trade and other receivables	18,483,297	18,191,776	27,191,053	4,269,080
Prepayments	8,892,891	10,131,446	6,381,782	1,001,960
Prepaid taxes	1,019,461	865,430	1,411,024	221,535
Financial assets at fair value through profit or loss .	207,662	308,983	189,924	29,819
Restricted cash	3,365,115	2,937,270	5,661,262	888,836
Cash and cash equivalents	20,305,545	25,338,726	19,407,192	3,046,990
	<u>99,618,235</u>	<u>121,488,932</u>	<u>148,498,560</u>	<u>23,314,738</u>
Total assets	<u>162,496,955</u>	<u>195,131,513</u>	<u>245,056,453</u>	<u>38,474,629</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital and share premium	719,088	36,795	36,779	5,701
Other reserves	1,669,289	1,582,187	1,808,496	280,309
Retained earnings	29,451,835	34,601,884	38,848,385	6,021,325
	<u>31,840,212</u>	<u>36,220,866</u>	<u>40,693,660</u>	<u>6,307,334</u>
Perpetual capital instruments	820,364	519,781	519,781	80,564
Non-controlling interests	6,246,452	15,060,519	21,194,011	3,284,976
	<u>38,907,028</u>	<u>51,801,166</u>	<u>62,407,452</u>	<u>9,672,875</u>

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
LIABILITIES				
Non-current liabilities				
Borrowings	39,942,307	45,899,678	50,934,930	7,996,943
Lease liabilities	197,515	675,920	2,349,586	368,892
Other payables	87,617	182,167	137,115	21,527
Deferred income tax liabilities	6,516,251	7,242,444	8,472,243	1,330,169
	<u>46,743,690</u>	<u>54,000,209</u>	<u>61,893,874</u>	<u>9,593,272</u>
Current liabilities				
Trade and other payables	29,972,583	35,229,517	46,378,690	7,188,488
Contract liabilities	22,694,564	22,757,332	38,925,437	6,033,268
Current income tax liabilities	8,625,998	10,462,611	13,238,405	2,051,893
Borrowings	15,320,774	20,667,678	22,022,693	3,413,418
Convertible bonds	—	—	—	—
Lease liabilities	232,318	213,000	189,902	29,434
	<u>76,846,237</u>	<u>89,330,138</u>	<u>120,755,127</u>	<u>18,716,502</u>
Total liabilities	<u>123,589,927</u>	<u>143,330,347</u>	<u>182,649,001</u>	<u>28,309,774</u>
Total equity and liabilities	<u>162,496,955</u>	<u>195,131,513</u>	<u>245,056,453</u>	<u>37,982,649</u>

RISK FACTORS

You should carefully consider the risks described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, 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 New Notes, and you could lose all or part of your investment. For more information concerning the PRC and related regulatory matters discussed below, see “Regulations.”

RISKS RELATING TO OUR BUSINESS

We are dependent on the performance of the real estate market in China, particularly in the cities and regions in which we develop our property projects and manage the properties we have developed

Our business and prospects depend on the performance of the real estate market in the PRC. Any property market downturn in China generally or, in particular, in the cities and regions in which we have property projects could adversely affect our business, results of operations and financial position. As of December 31, 2021, we had 81 fully completed projects and 139 projects under development or held for future development. The fully completed projects have an aggregate total GFA of approximately 32.05 million square meters. The properties under development and held for future development have an estimated aggregate total GFA of approximately 36.52 million square meters. As consumer spending changes due to changing economic conditions, we cannot assure you that the demand for new retail or residential properties in the regions where we have operations will continue to grow. In addition, we cannot assure you that there will not be any over-supply of properties or economic downturn in the cities and regions where we have property projects. Any such over-supply or economic downturn may result in a decline in property sales or property prices regionally and/or nationally, which would have a material adverse effect on our business, results of operations and financial position. Demand for our properties may be affected by the macro-economic control measures implemented by the PRC government from time to time, including recently announced additional measures designed to stabilize growth in the PRC economy as a whole and in the property market in particular. See “Risks Relating to the Property Development Industry in China — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China.”

Our profitability and results of operations are impacted by the development and profitability of our retail property leasing segment

In addition to property development, leasing our investment properties constitutes an integral part of our business. In 2019, 2020 and 2021, revenue generated from our property investment segment constituted approximately 5.5%, 4.4% and 4.2%, respectively, of our total revenue. If there is a significant downturn in the retail property leasing markets in the cities and regions where we have investment properties, we may not be able to maintain our current levels of rental income. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or at all, upon the expiration of the existing terms. As some of our leases are long-term leases ranging from 10 to 20 years, we may not be able to increase rent levels during the lease terms. As we seek to increase our portfolio of retail investment properties, leasing our properties will become an increasingly major contributor to our revenue going forward. We may not, however, be able to identify or secure suitable tenants for our retail properties. Our inability to expand our portfolio of retail properties for lease and operations, secure suitable tenants or otherwise to enhance the profitability of our leasing segment or to maintain our current levels of rental income would have a material adverse effect on our business, results of operations and financial position.

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

The property development business is capital intensive. We have financed our land acquisition and property developments primarily through a combination of internal funds, borrowings from both domestic and foreign banks, pre-sales and sales proceeds, and proceeds from capital markets financings, including proceeds from the 2023 Notes, Second 2022 Notes, the 2024 Notes, the New Notes, the 2025 Notes, the 2026 Notes, the Fourth 2022 Notes and the Fifth 2022 Notes. However, we have outstanding land premiums and we cannot assure you that we will have sufficient cash flow available for land acquisitions, paying our committed land premiums or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of December 31, 2021, our outstanding non-current and current borrowings were RMB50,934.9 million and RMB22,022.7 million, respectively.

Our ability to arrange adequate financing for land acquisitions or find appropriate partners to fund land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. See “Risks Relating to the Property Development Industry in China.”

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. For example, in September 2010, the People’s Bank of China (the “PBOC”) and the China Banking Regulatory Commission (the “CBRC”), which has been reorganized as China Banking and Insurance Regulatory Commission the “CBIRC” in April 2018, jointly issued a notice to prohibit banks from lending to any property developer for its new projects or renewing its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction commencement or completion date, hoarding properties or other non-compliance. On June 27, 2018, at a press conference held by the NDRC regarding the Notice Concerning Improvements to Market Restraint Mechanisms and Strict Prevention of Foreign Debt Risk and Local Government Debt Risk (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) jointly issued by the NDRC and the Ministry of Finance, the NDRC officials expressed that they plan to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 9, 2019, the NDRC issued the Notice of General Office of NDRC on Requirements Relating to Applications for Record-Filing and Registration of the Issuance of Foreign Debts by Real Estate Enterprises, which provides that the foreign debts issued by real estate enterprises can only be used to replace medium and long-term overseas debts due within one year. On 20th of August, 2020, Ministry of Housing and Urban-Rural Development of the People’s Republic of China (MOHURD) and PBOC jointly held a forum regarding real estate enterprises. It was pointed out at the forum that in order to effectively implement the prudential management system for real estate finance and enhance the marketization, regularization and transparency of the real estate enterprise financing, PBOC and MOHURD, together with relevant government departments have established the administrative rules on the testing of the funds of and financing of key real estate enterprises. On December 31, 2020, PBOC and CBIRC jointly issued a notice which requires a PRC domestic financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion as determined by PBOC and CBIRC based on the total amount of RMB loans extended by such financial institution. In addition, the NDRC may issue further regulations and guidance to optimize the regulation of foreign debt issuance, such as directing the foreign debt to be used primarily for the repayment of maturing debt. These government actions and policy initiatives limit our ability to use external financing, including bank loans and proceeds from capital markets financings 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 external financing, including bank loans, the net proceeds from this offering or other forms of external financing. 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. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions) to finance our project construction or to renew our existing credit facilities prior to their expiration. Our failure to do so may adversely affect our business, financial condition and results of operations.

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

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

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminium imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US\$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US\$200 billion worth of Chinese goods and planned to increase further. In return, the PRC responded with tariffs on US\$60 billion of U.S. goods. In early December, China and the United States reached a 90-day truce on imposing new tariffs, with the United States agreeing to postpone the plan of increasing tariffs on products imported from the PRC until March 2019 (originally to be carried out on January 1, 2019), and China agreeing to cancel similar tariff increases on products imported from the United States in early 2019, pending the results of further negotiations. On March 5, 2019, the Office of the United States Trade Representative issued a notice in the Federal Register to suspend the scheduled tariff increase until further notice, which was a promising sign for a deal between the China and U.S. The PRC government has also promised to buy more products from the U.S. It is expected that leaders of both countries will continue to negotiate the China-U.S. trade policies. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

Further, in June 2016, the United Kingdom ("UK") voted to leave the European Union ("EU") in a referendum. The UK formally withdrew from the EU on January 31, 2020. The UK and the EU signed the Brexit trade deal on December 30, 2020 and the UK completed its separation from the EU with effect from January 1, 2021. While the UK and EU had reached the trade deal, there may still be uncertainty as to the development of the political, legal and economic relationship between the UK and the EU in the near future. In addition, global market and economic conditions have continued to be adversely affected by international trade disputes between China and the United States and heightened market volatility in major stock markets. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our results of operations in 2019, 2020 and 2021 included unrealized revaluation increases on investment properties, which would not necessarily lead to realized cash flow

In 2019, 2020 and 2021, we had fair value gains on our investment properties, representing 24.3%, 15.8% and 14.1% of our profit before income tax for the respective years. Upward revaluation adjustments, which reflected unrealized capital gains on our investment properties during the relevant years, were not profit generated from the sales or leasing of our investment properties, and did not generate any actual cash inflow to us. Unless such investment properties are disposed of at similarly revalued amounts, we will not realize actual cash flow for purposes such as servicing our debt obligations. The amount of revaluation adjustments have been, and will continue to be, significantly affected by the prevailing property markets and will be subject to market fluctuations. These factors are beyond our control and we cannot assure you that we will continue to record similar levels of revaluation increases in the future or that the value of our investment properties will not decrease in the future. In the event that there are material downward adjustments in the value of our investment properties in the future, our business, results of operations and financial position may be materially adversely affected.

We have experienced periods of net cash outflow from operating activities in the past and we cannot assure you that we will not experience periods of net cash outflow from operating activities in the future

We have experienced periods of net cash outflow from operating activities in the past. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future. If we

continue to have net cash outflow from operating activities in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. Our total borrowings as of December 31, 2019, 2020 and 2021 were RMB55,263.1 million, RMB66,567.4 million and RMB72,957.6 million, respectively.

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

- limit our ability to satisfy our obligations under the New 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. Although the Indentures governing the New Notes, the indenture governing the 2023 Notes Indenture, the indenture governing the Second 2022 Notes, the indenture governing the 2024 Notes, the indenture governing the 2025 Notes, the indenture governing the 2026 Notes, the indenture governing the Fourth 2022 Notes and the indenture governing the Fifth 2022 Notes, each restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

We may not be able to continue to attract and maintain key tenants for our commercial complexes

Our retail properties compete for tenants with a number of other retail properties in the surrounding areas on the basis of a wide range of factors, including location, appearance, age, construction quality, maintenance and design. We also compete for tenants on the basis of rent levels and other lease terms. We seek to maintain the quality and attractiveness of our retail complexes by securing long-term partnerships with domestic and foreign retailers across a wide spectrum of industries. See “Business — Investment Properties — Tenants and Leases.” However, we cannot assure you that existing and prospective tenants will not move into the properties of our competitors. Also, because our leases may include short-term leases, rental income from our properties is sensitive to market fluctuations. As a result, we may lose current and potential tenants to our competitors and have difficulty renewing leases or entering into new leases. An increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants, reduce the relative attractiveness of our properties and force us to reduce rent or incur additional costs in order to make our properties more attractive. If we are not able to consistently compete effectively for commercial tenants with other property developers or operators, our occupancy rates may decline. If we fail to attract well-known retailers as our tenants or maintain our existing anchor tenants, the attractiveness and competitiveness of our integrated retail and residential complexes may be adversely affected. This in turn could have a material adverse effect on our business, reputation, results of operations and financial position.

A default by an anchor tenant could result in a significant loss of rental income, a reduction in asset value and increased bad debts

We derive a significant portion of our revenue directly or indirectly from rent received from our anchor tenants. Anchor tenants generally pay a significant portion of the total rents in respect of a retail complex and, in some cases, contribute to the success of securing other tenants by attracting significant numbers of customers to the property. A downturn in business, bankruptcy or insolvency could force an anchor tenant to default on its rental obligations and/or vacate the premises. Such a default, in particular by one of our top five tenants, could result in a loss of rental income, an increase in bad debts, and a decrease the value of the property. Moreover, such a default may prevent us from increasing rents or result in lease terminations by, or reductions in rents for, other tenants under the conditions of their leases. Any of the above effects of a default by an anchor tenant could have a material adverse effect on our business, results of operations and financial position.

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

In 2005, SAFE issued a notice stipulating that where a foreign-funded real estate enterprise fails to obtain a Certificate for Use of State-Owned Land or to make the capital fund of its development project reach 35% of the total investments of the project, such enterprise will not be permitted to borrow any foreign debt from abroad, nor will SAFE handle its foreign debt registration or approve the foreign exchange settlement for foreign debts. In 2013, SAFE issued another notice that stipulates, among other things, (i) the foreign exchange authorities will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from and registered with the Ministry of Commerce (the “MOFCOM”) on or after June 1, 2007; (ii) the foreign-funded real estate enterprises found before June 1, 2007 may borrow foreign debt within the scope of original difference between investment amount and registered capital pursuant to relevant laws and regulations; if the difference between investment amount and registered capital after capital increase is lower than the difference before capital increase, the latter shall be the standard. These regulations effectively restrict us from injecting funds raised offshore, including proceeds of this offering, into our PRC foreign-invested project companies by way of shareholder loans. Without having the flexibility to transfer funds to PRC foreign-invested subsidiaries as loans, we cannot assure you that the dividend payments from our PRC foreign-invested subsidiaries will be available on each interest payment date to pay the interest due and payable under the New Notes, or on the maturity date to pay the principal of the outstanding New Notes.

In the past, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries has required registration from the commerce department of the local government. Since January 1, 2020, instead of the aforesaid registration with local commerce authorities, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries are required to be registered through the online enterprise registration system maintained by State Administration for Market Regulation. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary registration for all our operating subsidiaries in the PRC. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

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

Our financing costs and as a result, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. From April 2006 to December 2007, the PBOC raised the benchmark one-year lending rate eight times from 5.58% to 7.47%. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times from 7.47% to 5.31% in December 2008. In December 2010, the PBOC increased the benchmark one-year lending rate to 5.81%. In February 2011, the PBOC increased the benchmark one-year lending rate to 6.06%, increased to 6.31% effective from April 6, 2011 and increased to 6.56% effective from July 7, 2011, although the PBOC subsequently lowered the one-year benchmark lending rate by 25 basis points in June 2012 and by 31 basis points in

July 2012 and canceled the lower limit of 0.7 times for loan interest of financial institutions. Since November 2014, the PBOC has cut the lending rate six times and has held it at 4.35%. The PBOC may raise lending rates in the future, in which case our business, financial condition and results of operations would be adversely affected as a result. We are also exposed to fluctuations in the Hong Kong Interbank Offered Rate (“HIBOR”). We have entered into certain credit facilities denominated in H.K. dollars, which carry interest rates linked to HIBOR. For details on these credit facilities, see “Description of Other Material Indebtedness — Offshore Loan Facilities.” Any further increases to interest rates, including US federal interest rates, would also increase our interest expenses and the costs of obtaining further financings. This may, in turn, adversely affect our business, financial condition and results of operations. Higher interest rates may increase our finance costs, and our business, financial condition and results of operations could be adversely affected. Our interest expenses on the total borrowings in 2019, 2020 and 2021 were RMB3,577.7 million, RMB4,275.2 million and RMB5,089.4 million, respectively.

Our profit level and margin are affected by our turnover mix and other factors and we may not be able to sustain our existing level of profit

We recorded gross profit margins of approximately 36.4%, 36.1% and 31.4% in 2019, 2020 and 2021, respectively. Factors including the change of the mix of our revenue sources, such as the proportion of properties sold and properties held for investment and the proportion of our residential and retail properties sold, intensified market competition, failure to achieve sales targets and failure to negotiate volume discounts with suppliers on favorable terms, may reduce our gross profit margin. We cannot assure you that we can always maintain or increase our gross profit margin. In the event that we are unable to maintain or increase our gross profit margin, our profitability may be materially adversely affected. See “— We may not be able to obtain land reserves that are suitable for our model of project development” and “— We may be affected by the performance of third party contractors and prices of construction materials” below.

Our profit level and margin have historically fluctuated due to a number of factors, including the proportion of properties sold and properties held for investment as well as intensified market competition, particularly for residential properties. If we are not able to maintain or increase our gross profit margin, our profitability may be materially and adversely affected.

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

We reassess the fair value of our investment properties at every reported balance sheet date. 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 income statements in the period in which they arise. Our valuations are based on current prices in an active market for similar properties or estimated by adopting the income capitalization approach based on existing and current market rents for similar properties, using capitalization rates that reflect current market assessments of the uncertainty in the market. Based on such valuation, we recognize the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognize changes in fair values of investment properties and the relevant deferred tax in our consolidated income statements. In 2019, 2020 and 2021, we recognized fair value gains on our investment properties of RMB2,394.4 million, RMB2,095.8 million and RMB1,711.0 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 may not be able to obtain land reserves that are suitable for our model of project development

We derive our revenue principally from the sale of properties that we have developed. Therefore we must maintain or increase our land reserves, each with sufficient size and appropriate scope of usage for our project model, 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 PRC government controls the availability of land in China. The PRC

government's land supply policies have a direct impact on our ability to acquire land use rights and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other measures. All these measures further intensify the competition for land in China among property developers.

In recent years, the PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of more affordable housing. See "Regulations" in this offering memorandum. Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. These policy initiatives and other measures adopted by the PRC government from time to time may limit our ability to acquire suitable land for our development or increase land acquisition cost significantly, which may have a material adverse effect on our business, financial condition and results of operations.

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

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, domestic banks require us to guarantee our customers' mortgage loans until the issuance of the relevant property ownership certificates. As a result, such guarantees generally last between six months to one year before we deliver possession of the relevant properties to the purchasers, at which time such guarantees are released. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may foreclose on the underlying property and recover any remaining amount outstanding from us as the guarantor of the mortgage loan. In line with industry practice, we do not conduct any independent credit checks on our customers but rely on the credit evaluation conducted by the mortgagee banks.

As of December 31, 2019, 2020 and 2021, our outstanding guarantees in respect of our customers' mortgage loans amounted to RMB23,098.7 million, RMB29,461.6 million and RMB32,685.4 million, respectively. Should any material defaults occur and we are required to honor our guarantees, our business, results of operations and financial position may be materially adversely affected.

Restrictions on the payment terms for land use rights may adversely affect our financial condition

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

Our profitability and results of operations are impacted by the success of our business model

We focus primarily on the development of large-scale, integrated retail and residential complexes in second or third-tier cities in China with growth potential in accordance with urban planning by the local governments. Due to the nature of our business model, we are often one of the first property developers to enter into such markets. In particular, the success of our business model is dependent on, and could be directly affected by, the accuracy of our prediction of the local demand and economic growth of the cities where we have, or will have, projects. Our success is also dependent on our managerial and operational resources as well as our knowledge of the spending habits of local consumers and their acceptance of large-scale, integrated retail and residential complexes. We cannot assure you that our business model will be successful in each of the cities that we enter. In the event that we fail to establish or expand our business model as much as anticipated, our business, reputation, results of operations and financial position may be materially adversely affected.

Disputes with joint venture partners may adversely affect our business

We have, and expect to have in the future, interests in joint venture entities in connection with our property development plans as part of our business model. In certain circumstances, our existing joint venture entities have relied on our financial support, and we expect they will continue to do so. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint venture. Our joint ventures may involve risks associated with the possibility that our joint venture partners may:

- have economic or business interests or goals inconsistent with ours;
- take actions contrary to our instructions, requests or our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

We cannot assure you that we will not encounter problems with respect to our joint venture partners which may adversely affect our business, reputation, results of operations, financial position and prospects.

The illiquidity of property investments and the lack of alternative uses of retail and hotel properties could significantly limit our ability to respond to adverse changes in the performance of our properties

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates, supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees to our hotel management partners or our anchor retail tenants. Furthermore, with respect to some of our property projects in certain cities such as Shanghai, Nanjing and Zhoushan, we are required under relevant land grant contracts to hold all or part of our properties developed for use of commerce or office for up to ten to twenty or forty years and may not sell or transfer such property without prior consent from the local land authorities.

In addition, retail and hotels properties may not be readily converted to alternative uses if they became unprofitable due to competition, age, decreased demand or other factors. The conversion of retail and hotel properties to alternative uses generally requires substantial capital expenditures. We cannot assure you that we will have sufficient funds to carry out the conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our hotels and retail properties could affect our ability to compete against our competitors and results of operations.

We cannot assure you that we will be able to successfully expand our business into other cities in China

We have historically focused on developing retail and residential properties in Fujian Province and we have expanded into selected emerging cities in China such as Shanghai Municipality, Nanjing, Xuzhou, Nantong, Changzhou, Huai'an, Suzhou, Wuxi, Yancheng, Yangzhou, Zhenjiang, Suqian and Taizhou in Jiangsu Province, Hangzhou, Ningbo, Wenzhou, Zhoushan, Shaoxing, Jinhua, Taizhou and Jiaying in Zhejiang Province, Haikou in Hainan Province, Dongying, Tai'an, Qingdao and Yantai in Shandong Province, Fuzhou, Zhangzhou, Xiamen, Ningde and Quanzhou in Fujian Province, Wuhan in Hubei Province, Nanchang and Jingdezhen in Jiangxi Province and Tianjin Municipality and Chongqing Municipality with good growth potential. Expansion may place substantial strain on our managerial, operational and financial resources. In addition, we have limited knowledge of the local conditions of these new property markets and less experience in property development in cities or regions where we did not previously have property developments. Furthermore, we may not have the same level of familiarity with contractors, business practices, regulations, customer preferences, behavior and spending patterns, which may put us in a less competitive position as compared to the local and more experienced national property developers. Any failure to leverage our experience or failure to understand the property market

in any other PRC city which we target for expansion may have a material adverse affect on our business, reputation, results of operations and financial position.

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 tortuous 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 or deliver our development projects on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of our property projects typically takes at least six months before they generate positive cash flow through pre-sales or sales. The progress and cost of a development project can be adversely affected by many factors, including, among other things:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolition of existing buildings;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- changes in government policies; and
- economic downturn and decrease in consumer sentiment in general.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may affect our results of operations and financial position and may also adversely affect our reputation in the industry. We cannot assure you that we will not experience any significant delays in the completion or delivery of our projects, or that we will not be subject to any liabilities for any such delays. For example, some buyers brought suits against us for failing to deliver certain units of one of our projects in Tianjian, one of our projects in Xuzhou and one of our projects in Hainan, the PRC, on time as prescribed in the relevant pre-sale contracts. Liabilities arising from any delays in the completion or delivery of our projects could have a material adverse effect on our business, results of operations and financial position.

The Hoi family is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of the date of this offering memorandum, approximately 65.99% of our issued shares were beneficially owned by the Hoi family. Subject to compliance with applicable laws, by maintaining such ownership, the Hoi family is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In addition, our chairman and two of our executive directors are members of the Hoi family and are able to exercise substantial control over our business. In particular, the strategic goals and interests of the Hoi family may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the New Notes.

We may be affected by the performance of third party contractors and prices of construction materials

We employ third party contractors to carry out various works, including design, construction, equipment installation, internal decoration, landscaping, electro-mechanical engineering, pipeline engineering and lift installation. We select third party contractors mainly through a tender or a privately negotiated selection process. We cannot guarantee that any such third party contractor will provide satisfactory services and at the required quality level. In addition, we may not be able to engage sufficient quality third party contractors in the cities which we plan to expand into. Moreover, completion of our property developments may be delayed and we may incur additional costs due to a contractor's financial or operational difficulties. The contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs. The services rendered by any of these independent contractors may not always be satisfactory or match our requirements for quality. Any of these factors could have a negative impact on our reputation, business, results of operations and financial position.

Our operations depend on our ability to obtain an adequate supply of raw materials at acceptable prices and quality and in a timely manner

We depend on our suppliers to provide us with sufficient quantities of raw materials such as steel, cement, sand, ballast and timber at acceptable prices and in a timely manner. We generally do not maintain long-term contracts with our suppliers. Rather, we typically enter into contracts with our suppliers on a project by project basis. These contracts usually last, at most, only as long as the life of the individual project and hence the terms of these contracts can range from one year to five years. Raw materials, such as steel, have been subject to substantial price volatility and, from time to time, shortages of supply in the PRC. During times of short supply, we may have to pay significantly higher prices to obtain sufficient raw materials. We have not entered into any raw materials hedging contracts. We also need raw materials of acceptable quality. Raw materials of lesser quality may negatively affect the quality of our projects. Any failure to obtain adequate raw materials, or failure to do so on commercially acceptable terms and in a timely manner, could interfere with our operations and adversely affect the results of our operations.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, scope of usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, or impose fines or other penalties. Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment fine calculated on a per-day basis or other penalties. There have been instances where we did not pay up all the land premium during the time period as required by relevant land grant contracts and therefore we were required to pay a late payment fee or liquidated damages. For example in March 2022, one of our project companies in Zhuhai was required to pay liquidated damages in an amount of RMB59.2 million for failure to pay land premium within the time period stipulated in a land grant contract. We cannot assure you that we will not have any overdue land premium in the future in relation to any new parcels of land we purchase, or that we will be able to enter into supplemental agreements with the local government authorities to postpone the payment dates for overdue land premium on terms acceptable to us, or at all. Under PRC laws and regulations, if we fail to reach a supplemental agreement to extend the payment dates for the overdue land premium, we may be required to pay a late payment fine or be subject to other penalties.

If we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land resources bureau may serve a warning notice on us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to reclamation by the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, notwithstanding that the commencement of the land development is in line with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than one-fourth of the total investment of the project and the development of the land has been suspended for over one year without government approval, the land will be treated as idle land. There have been

instances where we did not commence construction of our properties on time as required by relevant land grant contracts. For example, a parcel of land owned by us in Yantai has been designated as idle land in an idle land notice issued by the local land authority in March 2018 as we failed to commence development on such land for more than two years. We have applied for necessary permits for property construction on such land. In April 2018, the local land authority issued another notice to us, according to which, the local land authority will withdraw the idle land notice if the construction works commencement permits for construction on such land can be obtained by us before June 30, 2018. In April 2018, we obtained two construction work commencement permits and commenced construction on the land parcel in Yantai. 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 be taken back by the government as a result of such delays. The imposition of substantial idle land penalties 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.

The land grant contracts may also impose other obligations or restrictions on us. We are required under some land grant contracts to construct, at our costs and expenses, certain public facilities on the land granted to us, such as public roads, urban greenbelts, kindergartens and schools, housing for public transport hub. These public facilities shall be transferred to local governments for free upon completion according to the land grant contracts. We are also required under some land grant contracts to hold all or part of our properties developed for commercial or office use or for use as a hotel and may not sell or transfer such property without prior approval from the local land authorities.

We may not be able to obtain the requisite governmental approvals or land use rights certificates with respect to certain parcels of land in which we have acquired an interest

The property industry is subject to extensive regulations whether in the PRC or in the overseas markets. For example, we must go through various PRC governmental approval and filing procedures and obtain the requisite approvals and licenses for our investment in a property development subsidiary and its property development and related business operations. Our property development subsidiaries must comply with a variety of legal and regulatory requirements, as well as the policies and procedures established by local authorities to implement such laws and regulations. Each approval is dependent on the satisfaction of a set of conditions. We cannot assure you that we will not encounter significant problems in satisfying the conditions to the approvals necessary for our business operations or property development. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. There have been instances where we did not obtain approvals or permits on time. We cannot assure you that the local authorities will not impose penalties on us or even suspend the construction due to lack of such approvals. For example, certain of our project companies failed to obtain work commencement permits or construction works planning permits before commencing construction and were imposed of fines by local authorities. Failure to obtain, or material delays in obtaining the requisite governmental approvals for any of our projects could give rise to potential liabilities, including administrative penalties, and substantially disrupt the development and sale of our developments, which would result in a material adverse effect on our business, results of operations and financial condition.

We may not always be able to obtain land use rights certificates with respect to certain parcels of land. We have entered into various contractual arrangements with a view to facilitating potential acquisitions of land use rights for certain parcels of land. None of these contractual arrangements are land grant contracts with the PRC government or confirmation by the PRC government of the sale of state-owned land use rights. In addition, we are in the process of applying for land use rights certificates which are to be granted by the government authorities directly for certain other parcels of land. 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. For example, we entered into a land grant contract with local land authorities in September 2012 with respect to Tianjin North Green Area Project and have paid the land premium. However, we have not been granted a land use rights certificate for the parcel of land. 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.

We may bear demolition and resettlement costs associated with our property developments and such costs may increase

Currently, we do not have any land reserves in relation to which we are responsible for the demolition of existing buildings or resettlement of original residents. However, as we expand our business operations, we may engage in land primary development provided that suitable opportunities exist. In such circumstance, it is likely that we will be required to compensate owners and residents of demolished buildings for their relocation and resettlement in accordance with relevant PRC laws and regulations. The compensation we will have to pay is calculated in accordance with formulae published by the relevant local authorities. These formulae take into account the location, type of building subject to demolition, local income level and many other factors. We cannot assure you, however, that these local authorities will not change or adjust their formulae from time to time without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect our cash flow, results of operations and financial position. In addition, the owners of the existing buildings to be demolished may disagree with the compensation and bring law suits against us which may materially delay the demolition process and thus adversely affect our results of operation and financial position.

We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC entities on a combined basis only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC entities are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC entities combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our debts or otherwise fund and conduct our business.

We face uncertainty with respect to indirect transfers of equity interests in PRC residents enterprises by their non-PRC holding companies

On February 3, 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“Circular 7”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“Circular 698”) and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on December 10, 2009. Circular 698 was then abolished in October 2017 by the State Administration of Taxation. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for example, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. As Circular 7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular 7. As a result, we may become

at risk of being taxed under Circular 7 due to any future transfer of equity interests. We may be required to allocate significant resources to comply with Circular 7 or to establish that we should not be taxed under Circular 7, which may have a material adverse effect on our financial condition and results of operations.

Our cashflow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties

We intend to retain an increasing portion of our retail properties for recurring rental income and potential for capital appreciation and to sell our residential properties for cash flow. Our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties.

Our income tax obligations may increase, dividends from our PRC subsidiaries may be subject to withholding tax under PRC tax laws and we may be subject to PRC tax under the New Tax Law

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稅法) (the "New Tax Law"), which took effect on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018. The New Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions. In 2019, 2020 and 2021, we paid enterprise income tax of RMB919.1 million, RMB1,130.6 million and RMB2,192.1 million, respectively.

We are a Cayman Islands holding company that is financially dependent on distributions from our subsidiaries and substantially all of our business operations are conducted through our PRC subsidiaries. Prior to December 31, 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiaries, were exempt from PRC withholding tax. The New Tax Law and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (together with the New Tax Law, the "New Tax Laws"), effective January 1, 2008 and as amended on April 23, 2019, provide that any dividend payment to foreign investors is subject to a withholding tax at a rate of 10%. Pursuant to the Protocol IV to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong may be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. You should also read the risk factor entitled "— We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business" and "— Our Subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries".

In addition, under the New Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by individual as is in our case. Although we are currently not treated as a PRC resident enterprise by the relevant tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC corporate income tax purposes and subject to the uniform 25% corporate income tax as to our global income. If we are treated as such a PRC resident enterprise under PRC tax laws, we could face adverse tax consequences.

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

Pursuant to the "Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner" (關於全面推開營業稅改征增值稅試點的通知) (Cai Shui [2016] No. 36) issued on March 23,

2016 and implemented on May 1, 2016 (“Circular 36”) by the PRC Ministry of Finance (the “MOF”) and State Administration of Taxation (the “SAT”), effective from May 1, 2016, PRC tax authorities have started imposing value added tax (“VAT”) on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, replacing the business tax (“BT”) that co-existed with VAT for over 20 years. Since the issuance of Circular 36, the PRC Ministry of Finance and State Administration of Taxation, MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. The VAT rates applicable to us may be generally higher than the BT rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for sale of self-developed real estate projects will be increased from 5% (current BT rate) to 11%, which was reduced to 10% commencing May 1, 2018 and further reduced to 9% commencing April 2019. Unlike the BT, the VAT will only be imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset in the output tax. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and image as well as the brand name and image of our corporate partners, including our anchor tenants, to attract potential customers to our commercial complexes. Any negative incident or negative publicity concerning us or our properties or any of our anchor tenants at our commercial complexes could adversely affect our reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade 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 commercial complexes, or if we are perceived to act in an unethical or socially irresponsible manner. As we are less well known in certain regions in China where we do not have property projects, any negative publicity and resulting decrease in brand value, and/or failure to establish our brand in these regions could have a material adverse effect on our business, results of operations and financial position.

We have limited experience in the high-quality hotel development business, which may adversely affect our results in that segment

As of December 31, 2021, we owned 20 hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province and Henan Province. Eight of our owned hotels are operated under operating agreements we entered into with international hotel management groups and the remaining 12 of our owned hotels are operated by us. We may face considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of hotel visitors. In addition, we cannot assure you that there will be sufficient demand for additional high-quality hotel facilities in these locations. As we will rely on hotel management companies to manage our hotels, we may not be in a position to identify or resolve potential issues that may arise in relation to the hotels. If we fail in our efforts in the high-quality hotel development business, it may have a material adverse effect on our business, results of operations and financial position.

Our success depends on the continued services of our senior management team and other key personnel

Our success depends on the continued services provided by our executive directors and members of our senior management team. Competition for such talented employees is intense in the PRC property development sector. We are very dependent on our chairman, Hoi Kin Hong and our senior management members, including Hoi Wa Fong, Shih Sze Ni Cecilia, Xiao Qing Ping and Zhang Hong Feng. They have an average of 15 years of experience in the PRC property industry, with in-depth knowledge of various aspects of property development. If any core management team member leaves and we fail to find a suitable substitute, our business will be adversely impacted. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and future growth will be materially adversely affected.

Property owners may terminate our engagement as the provider of property management services which could materially adversely affect our business, results of operations and financial position

We provide after-sales property management services to the owners of our residential and retail properties through our wholly owned property management subsidiaries, Hualong Property and Hualong

Commercial and their respective subsidiaries. We believe that property management is an important part of our business and critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the home owners of a residential community of certain scale have the right to change the property management service provider upon the consent of a certain percentage of home owners. If home owners of the projects that we have developed choose to terminate our property management services, our reputation, business, results of operation and financial position could be materially and adversely affected.

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

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, tenants, property sales agents, original residents, residents of surrounding areas, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in liabilities and cause delays to our property developments. We may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of our projects or delays in the payment of land premium. For example, the Tianjin Planning and Natural Resources Bureau filed a lawsuit against one of our project companies in Tianjin in August 2020 alleging that the project company failed to pay the land premium within the time period as stipulated in relevant land grant contracts and requesting a late payment fee. Such lawsuit is still pending. Any of the above could have a material adverse effect on our business, results of operations and financial position. In 2019, 2020 and 2021, we were involved in certain legal or other disputes in the ordinary course of our business, including claims relating to our guarantees for mortgage loans provided to purchasers of our properties and contract disputes with purchasers and tenants of our properties and contract disputes with construction contractors of our properties. For example, in May 2021 one of our project companies in Wuxi had a dispute with its indirect minority shareholder concerning profit distribution and brought a lawsuit against such minority shareholder. The minority shareholder was ultimately required to repay RMB115.5 million of the distributed profits to the project company. The project company then reached a settlement with the defendant and filed for withdrawal of the case with the court which was granted by the court in April 2022. In August 2021, three of our subsidiaries were sued by a third party over a dispute concerning construction fees. These subsidiaries were required to pay approximately RMB186.4 million of construction fees. Moreover, at request of the such third party, a piece of land and 120 units of houses of one of our subsidiaries were seized by the court from September 2021 to September 2024. As of the date of this offering memorandum, such lawsuit is still pending.

The total GFA of some of our property developments may have exceeded the original authorized area and the excess GFA is subject to governmental approval and payment of additional land premium

When the PRC government grants land use rights for a piece of land, it will specify in the land grant contract the permitted use of the land and the total GFA that the developer may develop on the land. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant government authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. If we fail to obtain the required certificate of completion due to any such excess, we will not be allowed to deliver the relevant properties or to recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the sale and purchase agreements. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay the additional land premium and obtain the certificate of completion on a timely basis. Under relevant PRC laws and regulations, we may be required to pay additional amounts or take corrective actions with respect to any such non-compliant GFA before a certificate of completion can be issued in respect of the property development or before the general property ownership certificate can be issued. Any of the above could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA

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

Historically, the PRC property market has been cyclical. In recent years, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly

active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in “— Risks Relating to Our Business — We may be adversely affected by fluctuations in the global economy and financial markets.”

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

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment. See “Regulations” in this offering memorandum.

From time to time, local governments may adopt more stringent policies to regulate the property market. For instance, Shanghai has recently launched a new campaign to clamp down on so-called commercial-title apartments by which the approval of all new commercial-title apartment projects is to be 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. Certain of our projects in Shanghai will have to adjust the construction plans due to such new policy. On May 9, 2017, Shanghai Housing and Urban & Rural Construction Management Committee issued the Opinion on Rectification of Commercial-Title Projects (關於開展商業辦公項目清理整頓工作的意見) jointly with other local government authorities, according to which, Shanghai would stop approval and construction of any new commercial-title apartments. Other political, economic and social factors may also lead to further adjustments and changes of such policies.

Since late 2020, there have been reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. On December 28, 2020, PBOC and CBRC jointly promulgated the Notice of PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period. On January 1, 2021, the PBOC, together with CBRC, set forth the capped ratios of the amount of outstanding real estate loans to the total outstanding amount of RMB denominated loans of a PRC financial institution. This ratio currently ranges from 12.5% to 40.0%. On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice of the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (中國銀保監會辦公廳、住房和城鄉建設部辦公廳、中國人民銀行辦公廳關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management and etc, will be adopted and implemented. All banking and insurance regulatory bureaus, local housing and urban-rural construction departments, and branches of the PBOC shall jointly carry out a special investigation on the illegal flow of business-use loans into real estate, complete the investigation before May 31, 2021, and increase supervision and rectification of illegal problems and penalties.

We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of

operations and prospects may be materially and adversely affected. For a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see "Regulation — Measures on Stabilizing Housing Prices."

Changes of PRC laws and regulations with respect to pre-sale may adversely affect our cash flow position and business performance

We depend on cash flows from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their developments. Any such measures will materially adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project developments.

In addition, we make certain undertakings in our sale and purchase agreements including obtaining the requisite completion acceptance inspection certificates for the properties and delivering completed properties and property ownership certificates to the customers within the period stipulated in the sale and purchase agreements. These sale and purchase agreements and PRC laws and regulations provide for remedies for breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek 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 the sale and purchase agreements and claim compensation. For example, some buyers brought suits against us for failing to deliver certain units of one of our projects in Tianjian, one of our projects in Xuzhou, one of our projects in taizhou city, one of our projects in Tiantai county and certain of our projects in Hainan the PRC, on time as prescribed in the relevant pre-sale contracts. We cannot assure you that we will not experience significant delays in the completion and delivery of our projects which could have a material adverse effect on our business, results of operations and financial position.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations

In accordance with the provisions of the PRC Provisional Regulations on Land Appreciation Tax and their implementation rules, all persons including companies and individuals that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the land and improvements on such land, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible expense items as defined in the relevant LAT regulations.

We have been prepaying LAT with reference to our pre-sale proceeds according to the relevant regulations of the local PRC government in jurisdictions where we have operations. Such LAT prepayments are recorded as a part of "prepaid taxes" on our consolidated balance sheets. We also made LAT provision of RMB1,390.2 million, RMB1,587.7 million and RMB2,077.9 million in 2019, 2020 and 2021, respectively. Provisions for unsettled LAT liabilities are recorded as a part of "current income tax liabilities" on our consolidated balance sheets. However, we cannot assure you that our LAT provision will be sufficient to cover our past LAT liabilities. We also cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities. Our financial position may be materially adversely affected if our LAT liabilities as finally calculated by the relevant tax authorities are substantially higher than our LAT provisions.

We may not be able to obtain qualification certificates

As a precondition to engage in real property development in China, a company must obtain a qualification certificate and renew it on an annual basis. According to the PRC regulation on qualification of property developers issued in 2000 as amended in 2015, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for not more than two years under renewal. If, however, a newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Furthermore, established developers must also apply for renewal of their qualification certificates on an annual basis. Government regulations mandate that developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We develop all of our properties through project companies. These project companies must also hold valid qualification certificates to be able to conduct their businesses. As of the date of this offering memorandum, several of our PRC subsidiaries such as Wenzhou Baoxin Real Estate Development Co.,

Ltd., Ningbo Yuanda Industrial Investment Co., Ltd., Zhangzhou Powerlong Yingju Real Estate Co., Ltd. and Zhuhai Powerlong Property Co., Ltd., which are developing projects are either renewing or applying their qualification certificates. We cannot assure you that we and our project companies will continue to be able to extend or renew the qualification certificates. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. Any of the above could have a material adverse effect on our business, results of operations and financial position.

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

Most of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. For instance, since January 1, 2021, PBOC and CBIRC set an upper limit for the proportion of personal housing loan balance for PRC domestic financial institutions (excluding its overseas branches). See “Regulations” in this offering memorandum.

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

Intensified competition may adversely affect our business and our financial position

In recent years, many competitors, including overseas property developers and operators and large-scale commercial facility operators have entered the property development markets in regions of China where we have operations. Many of them may have more financial or other resources than us and may be more sophisticated than we are in terms of engineering and technical skills. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of government approvals, and higher costs to attract or retain talented employees, which may in turn lead to lower profit margins. Moreover, property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If we fail to compete effectively, our business, results of operations and financial position will suffer.

Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability

We are subject to extensive and increasingly stringent environmental protection laws and regulations that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by the central, provincial or municipal government of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations.

We have not adopted additional environmental protection measures other than the measures generally taken in the ordinary course of business by companies in the industry. These measures include conducting environmental assessments on our property construction projects, hiring construction contractors who have good environmental protection and safety track record and requiring them to comply with the relevant laws and regulations on environmental protection and safety. We require them to use construction materials and construction methods that meet the requirements of such laws and regulations, undertake final clean up of the construction site, limit work hours for noisy construction activities and manage quality of residual soil. In addition, there is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. As of the date of this offering memorandum, several of our subsidiaries with projects under development are in the process of applying for approval for environmental assessments. If we fail to comply with existing or future environmental laws and regulations or fail to meet the expectations of the society, our

reputation may be damaged or we may even be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO CHINA

Changes in PRC political and economic policies and conditions could adversely affect our business and prospects

China has been, and will continue to be, our primary operating base and currently most of our assets are located in China. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy since 1978, a substantial part of the PRC economy is still being operated under various controls of the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. 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, including the real estate industry, that the government believed to be overheating, such as 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. Our business prospects and results of operations may be materially adversely affected by changes in the PRC economic and social conditions and by changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

In addition, China's economic growth and condition may also be adversely affected due to recent developments surrounding the trade-war with the United States. Starting in 2018, the trade war between China and the United States continues to escalate in recent years. A serious and protracted war will impact trade flows and global economy, including the China economy, and in turn, the purchasing power of our customers, which would have a material and adverse impact on our business, financial condition and results of operation. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity.

Changes in foreign exchange and foreign investment regulations in China may adversely affect our ability to invest in China and the ability of our subsidiaries to pay dividends and service debts in foreign currencies

Renminbi is not a freely convertible currency at present. We currently receive substantially all of our revenues in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Changes in PRC laws and regulations on foreign exchange may result in uncertainties in our financing and operating plans in China. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions, payment of dividends and service of foreign debts. Under existing PRC foreign exchange regulations, payments of current-account items, including profit distributions, interest payments and operation-related expenditures, may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions. Strict control applies to capital account transactions. Pre-approval or registration is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay for capital expenses. Changes in PRC foreign exchange policies may have a negative impact on the ability of our PRC subsidiaries to service its foreign currency denominated indebtedness and to distribute dividends to us in foreign currencies.

Subsequent to this offering, we have the choice of investing our net proceeds in the form of registered capital or a shareholder loan into our operating foreign-invested subsidiaries. Our choice of investment is affected, however, by the relevant SAFE regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our foreign-invested subsidiaries in China is subject to approval by PRC government authorities in case of an increase in registered capital, or subject to registration with PRC government authorities in case of a shareholder loan. These limitations on the cash flow between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

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

In October 2005, SAFE issued the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and

in Return Investment via Overseas Special Purpose Companies (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) which became effective on November 1, 2005 (“Notice 75”). In July 2014, Notice 75 was abolished by SAFE and was superseded by Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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) which was issued by SAFE and became effective on July 4, 2014 (“Notice 37”). Notice 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an “offshore SPV”) with onshore or offshore assets and equities interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch before February 28, 2015 and local banks after February 28, 2015 with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. Failure by an individual to comply with the required SAFE registration and updating requirements described above may result in penalties up to RMB50,000 imposed on such individual and 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 for the offshore SPV. Failure to comply with Notice 37 may also subject relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our controlling shareholders have completed the registration of their offshore SPV in accordance with Notice 75 in February 2008. Changes in the status of these offshore SPV would require further registration of changes in accordance with Notice 75 and Notice 37. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries’ ability to distribute dividends or to repay shareholder loans to us.

PRC laws and regulations involve many uncertainties and the current legal environment in China could have a negative impact on our business and/or limit the legal protections available to you

Our core business is conducted in China and our principal operating subsidiaries are located in China. As such, they are subject to PRC laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior cases have little precedent value in deciding subsequent cases in the civil law legal system. Additionally, such PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and overall economic orders of the country. China has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects.

For example, on September 14, 2015, the NDRC issued the “Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Recordation and Registration System for Enterprises’ Issuance of Foreign Debts” (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)), or the “NDRC Circular” which came into effect on the same day. According to the NDRC Circular, enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments to the NDRC within ten business days in the PRC after the completion of each issuance. Pursuant to the NDRC Circular, in the case of any significant discrepancy between the circumstances of the enterprises’ issuance of foreign debt and the recordation and registration information, an explanation shall be made when information is submitted. The NDRC will include the bad credit records of enterprises that maliciously submit false reports on the quota of foreign debts subject to recordation and registration in the national credit information platform. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Circular) also have been required by the NDRC to comply with the NDRC Circular. On June 27, 2018, at a press conference held by the NDRC regarding the Notice Concerning Improvements to Market Restraint Mechanisms and Strict Prevention of Foreign Debt Risk and Local Government Debt Risk (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) jointly issued by the NDRC and the Ministry of Finance, the NDRC officials expressed

that they plan to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, the NDRC published on its website A Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (關於對房地產企業發行外債申請備案登記有關要求的通知), which imposes more restrictions on real estate enterprises incurring medium to long term foreign debt. The use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing medium to long term offshore debts of the real estate developer which will become due within one year. The real estate developer is required to specify in documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts, such as amount, maturity date, and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. All these uncertainties may limit the legal protections available to foreign investors including you.

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 or any of our 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, we cannot assure you 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.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God or a recurrence of pandemics such as COVID-19 or an outbreak of other epidemics.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 outbreak has adversely affected our business operation and financial condition. However, the pandemic is far from over, especially with the emergence of new variants such as the Delta and Omicron variants. While some countries have gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes, there was a significant rise in COVID-19 cases in various cities in China in early 2022. The local governments of the affected cities have reinstated certain measures such as travel restrictions, quarantine policy and stay-at-home orders. 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 we may be adversely affected.

In addition, some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, or an outbreak of any other epidemics in China, such as influenza A (H1N1) and avian flu (H5N1), especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially adversely affect our business, results of operations and financial position.

RISKS RELATING TO THE NEW NOTES

We are a holding company and payments with respect to the New Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the New Notes

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

Creditors, including trade creditors of our PRC subsidiaries and other Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including obligations of our Non-Guarantor Subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. The New Notes and the Indentures do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantors would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantors securing the related obligations over claims of holders of the New Notes.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the New Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the New 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 New Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that

are not distributable as cash dividends by the board of directors. In practice, our PRC subsidiaries may pay dividends once or twice a year. In addition, starting from January 1, 2008, 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 a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the New 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 New Notes at maturity or as required for any early redemption.

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 New Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the New Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and 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 the PRC (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 any of our shareholder loans, which may affect our ability to satisfy our obligations under the New Notes.

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indentures governing the New Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications.

We and holders of the New Notes may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollars

The New 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 the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On June 19, 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the PRC currency's exchange rate flexibility. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar from 2005 to 2013. 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 may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market. The PRC government

may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of 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 New Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the New Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the New Notes. These hedging arrangements may require us to pledge, charge 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. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

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

Under the Enterprise Income Tax Law of the PRC (the “PRC EIT Law”), if we are deemed a PRC resident enterprise, the interest payable on the New 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 there is 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 New 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 it is unclear whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our New Notes, would be treated as income sourced within China and be subject to PRC tax. If we are required under the PRC EIT Law 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 are necessary to ensure receipt by the holder of the full amount which the holder would have received but for such withholding. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flows. In addition, if you are required to pay PRC income tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise”, holders of our New Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

We must offer to purchase the New Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the July 2023 New Notes” and “Description of the January 2024 New Notes.”

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

In addition, the definition of Change of Control Triggering Event for purposes of the Indentures governing the New Notes does not necessarily afford protection for the holders of the New Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indentures governing the New Notes also include a phrase

relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the New Notes, and the ability of a holder of the New Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

Since we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, 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 the United States federal bankruptcy law. In addition, the Subsidiary Guarantors are incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the New Notes are familiar.

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

If we are unable to comply with the restrictions and covenants in the Indentures governing the New Notes, or our current or future debt obligations and other agreements, including the 2018 Facility Agreement, the 2019 Facility Agreement, the indenture governing the 2023 Notes, the indenture governing the Second 2022 Notes, the First 2020 Facility Agreement, the Second 2020 Facility, the indenture governing the 2024 Notes, the indenture governing the 2025 Notes, the indenture governing the 2026 Notes, the First 2021 Facility Agreement, the Second 2021 Facility Agreement, the indenture governing the Fourth 2022 Notes, the Third 2021 Facility Agreement or the indenture governing the Fifth 2022 Notes, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indentures governing the New Notes contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the New Notes, or result in a default under our other debt agreements, including the Indentures governing the New Notes. 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 New Notes and other debt agreements, 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 Indentures governing the New Notes, the 2018 Facility Agreement, the 2019 Facility Agreement, the indenture governing the 2023 Notes, the indenture governing the Second 2022 Notes, the First 2020 Facility Agreement, the Second 2020 Facility, the indenture governing the 2024 Notes, the indenture governing the 2025 Notes, the indenture governing the 2026 Notes, the First 2021 Facility Agreement, the Second 2021 Facility Agreement, the indenture governing the Fourth 2022 Notes, the Third 2021 Facility Agreement or the indenture governing the Fifth 2022 Notes and other debt agreements 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 Stock or Preferred Stock;
- declare dividends on their Capital Stock or purchase or redeem Capital Stock;
- make investments or other specified restricted payments;
- issue or sell Capital Stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;

- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

In light of land prices, the capital intensive nature of land acquisitions, 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 Indentures governing the New Notes. Although the Indentures governing the New 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, in particular, in Unrestricted Subsidiaries that are engaged in non-residential property businesses. See the section entitled "Certain covenants Limitation on Restricted Payments" and the definition of "Permitted Investment" in "Description of the July 2023 New Notes" and "Description of the January 2024 New Notes." As of the date of this offering memorandum, we have designated a number of Unrestricted Subsidiaries. See "Corporate Structure."

The Issuer may elect to redeem the New Notes prior to their maturity

As set forth in "Description of the July 2023 New Notes — Optional Redemption" and "Description of the January 2024 New Notes — Optional Redemption", the New Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the New Notes. During any period when we may elect to redeem the New Notes, the market value of those New Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. The date on which the Company elects to redeem the New Notes may not accord with the preference of particular Noteholders. We may be expected to redeem the New Notes when the current financing cost is lower than the interest rate on the New Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the New Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the New Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

Approval-in-principle has been received for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that we will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the New Notes on the SGX-ST. In addition, the New Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

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

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the New 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 may be connected transactions under the Listing Rules and subject to the independent shareholders’ approval requirement under the Listing Rules. As a result, we are not required by the terms of the New Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer’s certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the New Notes for any such transactions.

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

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

Certain facts and statistics are derived from publications not independently verified by us or our advisors

Facts and statistics in this offering memorandum relating to China’s economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

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

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

The New Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the New Notes will trade in book-entry form only,

and New Notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the New Notes for purposes of the Indentures. The common depository for Euroclear and Clearstream will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the New Notes under the Indentures. Upon the occurrence of an Event of Default under the Indentures, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the New Notes. See “Description of the July 2023 New Notes — Book-Entry; Delivery and Form” and “Description of the January 2024 New Notes — Book-Entry; Delivery and Form.”

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

We will be subject to continuing listing obligations in respect of the New Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the New Notes are accustomed to.

Certain major terms of the New Notes Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, which may adversely affect the interest of the holders of such New Notes and increase the credits risks of the New Notes

Typically certain major terms of an indenture may only be modified, amended or waived with the consent of all holders of the outstanding notes. However, as the purpose of the Exchange Offer is to extend our debt maturity profile, strengthen our balance sheet and improve cash flow management, the Indentures allow modification, amendments or waivers of certain major terms to be made with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, including the waiver of payment defaults, the reduction of the principal amount of, or premium, if any, or interest on, any New Note, the release of any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indentures. Such provisions would reduce the protection afforded to the holders of the New Notes and potentially increase the credits risks of the New Notes.

The events of default provision under the New Notes will carve out any cross-default events arising directly or indirectly from any defaults or events of default under the Excluded Indebtedness.

The events of default provision under the New Notes carves out any cross-default events and final judgments and orders arising directly or indirectly from any defaults or events of default under the Excluded Indebtedness. In addition, the events of default provision under the New Notes also carves out any involuntary case or proceeding commenced based on the Excluded Indebtedness under any applicable bankruptcy, insolvency or other similar law, and such events upon the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any significant subsidiary or for all or substantially all of the property and assets of the Company or any significant subsidiary solely for the purpose of defending against any remedy exercised under the Excluded Indebtedness by any holder or the trustee thereof. Holders of the New Notes may face more uncertainty and potentially higher credit risk in this regard if any default occurs with respect to the Excluded Indebtedness, because the Excluded Indebtedness and certain of our other indebtedness could become immediately due and payable upon such defaults, and we would have to settle or repay such indebtedness, but payment of the New Notes would not be accelerated and holders of the New Notes would continue to hold the New Notes without recourse upon occurrence of such events. See “Description of the July 2023 New Notes — Events of Default” and “Description of the January 2024 New Notes — Events of Default.”

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

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the New Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the New Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries and under the terms of the Indentures, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. As a result, the New Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such Non-Guarantor Subsidiaries. See “Description of the July 2023 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and “Description of the January 2024 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors and JV Subsidiary Guarantors that will guarantee the New Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors and JV 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 New Notes if we are unable to do so.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the New Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. See “Description of the July 2023 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” and “Description of the January 2024 New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees.”

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

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

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

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

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

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

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

The pledge or charge of certain Collateral may in some circumstances be voidable or may not be enforceable

The pledge or charge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or charge or, under some circumstances, within a longer period. Pledges or charges of issued Capital Stock of future Subsidiary Guarantors or where applicable, certain JV Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge or charge of certain Collateral may be voided based on the analysis set forth under “— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.” The pledge or charge of the Collateral may also not be enforceable as first fixed charges as therein provided as the Collateral remains subject to certain share pledges previously executed by us to secure our obligations under the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the New Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility and the Fifth 2022 Notes and have not been released in accordance with the terms of the 2018 Facility Agreement, the 2019 Facility Agreement, the 2023 Notes Indenture, the Second 2022 Notes Indenture, the First 2020 Facility Agreement, the Second 2020 Facility Agreement, the 2024 Notes Indenture, the Indenture, the 2025 Notes Indenture, the 2026 Notes Indenture, the First 2021 Facility Agreement, the Second 2021 Facility Agreement, the Fourth 2022 Notes Indenture, the Third 2021 Facility Agreement and the Fifth 2022 Notes Indenture.

If and to the extent that any of the pledges or charges of the Collateral were to be voided or were unenforceable for any reason, holders of the New Notes would have only an unsecured claim against us.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility, the Fifth 2022 Notes and other Permitted Pari Passu Secured Indebtedness

The Collateral will consist only of the issued Capital Stock of the initial Subsidiary Guarantors and our proportional interest in the initial JV Subsidiary Guarantor owned by the Company or the Subsidiary Guarantor Pledgors and may in the future include our proportional interest in certain JV Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility, the Fifth 2022 Notes and other Permitted Pari Passu Secured Indebtedness to repay other debt or to make investments in properties and assets that will not be pledged or charged as additional Collateral.

The ability of the Security Agent, on behalf of the holders of the New Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Security Agent or holders of the New 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 New Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the New Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the New Notes. By their nature, some or all of the Collateral, in particular, the Capital Stock of the existing or any future Subsidiary Guarantors or where applicable, certain future JV Subsidiary Guarantors, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility, the Fifth 2022 Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the New 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 secured indebtedness. The value of the Collateral securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the New Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional New Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indentures.

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

Provided the Security Agent is indemnified and/or secured to its satisfaction, it may be required to take action to enforce the Collateral in accordance with the instructions of holders of the New Notes, the lenders under the 2018 Facility, the lenders under the 2019 Facility, the holders of the 2023 Notes, the holders of the Second 2022 Notes, the lenders under the First 2020 Facility, the lenders under the Second 2020 Facility, the holders of the 2024 Notes, the holders of the 2025 Notes, the holders of the 2026 Notes, the lenders under the First 2021 Facility, the lenders under the Second 2021 Facility, the holders of the Fourth 2022 Notes, the lenders under the Third 2021 Facility, holders of the Fifth 2022 Notes and creditors of other Permitted Pari Passu Secured Indebtedness given under and in accordance with the

Intercreditor Agreement. Any enforcement action taken by the Security Agent will adversely affect our entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our 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 New Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Security Agent is permitted to take enforcement actions. If an Event of Default occurs under the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility and the Fifth 2022 Notes, the holders of the New Notes, the lenders under the 2018 Facility, the lenders under the 2019 Facility, the holders of the 2023 Notes, the holders of the Second 2022 Notes, the lenders under the First 2020 Facility, the lenders under the Second 2020 Facility, the holders of the 2024 Notes, the holders of the 2025 Notes, the holders of the 2026 Notes, the lenders under the First 2021 Facility, the lenders under the Second 2021 Facility, the holders of the Fourth 2022 Notes, the lenders under the Third 2021 Facility, the holders of the Fifth 2022 Notes and creditors of other Permitted Pari Passu Secured Indebtedness must decide whether to take any enforcement action and thereafter, through their respective trustee or agent, subject to the satisfaction of the conditions under the Intercreditor Agreement, may instruct the Security Agent to take such enforcement action. By virtue of the instructions given to the Security Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the New Notes.

The Security Agent, acting in its capacity as such, will have such duties with respect to the Collateral pledged, charged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement and as trustee and agent in respect the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2022 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility and the Fifth 2022 Notes. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2022 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility and the Fifth 2022 Notes. The Security Agent 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 New Notes, the lenders under the 2018 Facility, the lenders under the 2019 Facility, the holders of the 2023 Notes, the holders of the Second 2022 Notes, the lenders of the First 2020 Facility, the lenders of the Second 2020 Facility, the holders of the 2024 Notes, the holders of the 2025 Notes, the holders of the 2026 Notes, the lenders under the First 2021 Facility, the lenders under the Second 2021 Facility, the holders of the Fourth 2022 Notes, the lenders under the Third 2021 Facility and the holders of the Fifth 2022 Notes, unless such holders have offered to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability, cost or expense.

The pledge or charge of certain Collateral may be released under certain circumstances

In the event that a Subsidiary Guarantor is able to release its Subsidiary Guarantee by selling or issuing more than 20% of the issued Capital Stock of such Subsidiary Guarantor to a third party, because the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 25% of our total assets, we are permitted to release the pledge or charge of the shares granted by and over such Subsidiary Guarantor.

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 or charge of the shares granted by such Subsidiary Guarantor, as well as the pledge or charge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge or charge 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 Indentures, the Collateral will be reduced in value and scope, and holders of the New Notes would be subject to increased risks.

USE OF PROCEEDS

We will not receive any cash proceeds from the offering of the New Notes.

CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. Except for EBITDA data and translation amounts shown in US\$, the summary financial data as of and for years ended December 31, 2019, 2020 and 2021 is derived from the audited consolidated financial statement for the years ended December 31, 2020 and 2021. Our financial statements for the years ended December 31, 2019, 2020 and 2021 have been prepared and presented in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The summary financial data below should be read in conjunction with “Results of Operations”, the consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Income Statement Information

	Year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue	26,041,632	35,495,300	39,902,461	6,184,702
Cost of sales	(16,558,591)	(22,679,514)	(27,383,411)	(4,244,306)
Gross profit	9,483,041	12,815,786	12,519,050	1,940,396
Fair value gains on investment properties — net	2,394,403	2,095,764	1,710,955	265,190
Selling and marketing costs	(984,474)	(1,096,220)	(1,392,470)	(215,827)
Administrative expenses	(1,411,133)	(1,545,590)	(1,911,870)	(296,331)
Net impairment losses on financial assets	(28,554)	(150,002)	(241,415)	(37,418)
Other income and gains — net	927,108	184,226	1,390,342	215,497
Operating profit	10,380,391	12,303,964	12,074,592	1,871,507
Finance income/(costs) — net	(899,775)	312,433	(434,718)	(67,379)
Share of profit of investments accounted for using the equity method	375,755	666,990	507,903	78,723
Profit before income tax	9,856,371	13,283,387	12,147,777	1,882,851
Income tax expenses	(3,838,474)	(4,468,037)	(4,811,652)	(745,784)
Profit for the year/period	<u>6,017,897</u>	<u>8,815,350</u>	<u>7,336,125</u>	<u>1,137,066</u>

	Year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands, except per share data and percentages)			
Profit attributable to:				
Owners of the Company	4,041,116	6,093,216	5,992,099	928,748
Holder of Perpetual Capital Instruments	69,556	50,979	38,000	5,890
Non-controlling interests	1,907,225	2,671,155	1,306,026	202,428
	<u>6,017,897</u>	<u>8,815,350</u>	<u>7,336,125</u>	<u>1,137,066</u>

Consolidated Balance Sheet Information

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
ASSETS				
Non-current assets				
Property and equipment	5,225,130	5,221,769	6,228,971	965,463
Investment properties	51,084,641	58,243,338	78,329,755	12,140,760
Intangible assets	—	5,420	4,859	753
Goodwill	—	20,640	20,640	3,199
Investments accounted for using the equity method .	5,593,928	7,642,200	9,769,743	1,514,266
Deferred income tax assets	592,882	800,680	1,109,849	172,022
Financial assets at fair value through profit or loss .	—	313	558	86
Financial assets at fair value through other comprehensive income (“FVOCI”)	382,139	439,057	299,081	46,356
Prepayments	—	1,269,164	571,656	89,752
Trade receivables	—	—	222,781	34,530
	<u>62,878,720</u>	<u>73,642,581</u>	<u>96,557,893</u>	<u>15,159,891</u>
Current assets				
Properties under development	36,446,920	48,719,297	70,865,579	11,126,117
Completed properties held for sale	10,617,428	14,589,666	16,833,381	2,642,893
Contract assets	279,916	406,338	557,363	87,508
Trade and other receivables	18,483,297	18,191,776	27,191,053	4,269,080
Prepayments	8,892,891	10,131,446	6,381,782	1,001,960
Prepaid taxes	1,019,461	865,430	1,411,024	221,535
Financial assets at fair value through profit or loss .	207,662	308,983	189,924	29,819
Restricted cash	3,365,115	2,937,270	5,661,262	888,836
Cash and cash equivalents	20,305,545	25,338,726	19,407,192	3,046,990
	<u>99,618,235</u>	<u>121,488,932</u>	<u>148,498,560</u>	<u>23,314,738</u>
Total assets	<u>162,496,955</u>	<u>195,131,513</u>	<u>245,056,453</u>	<u>38,474,629</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital and share premium	719,088	36,795	36,779	5,701
Other reserves	1,669,289	1,582,187	1,808,496	280,309
Retained earnings	29,451,835	34,601,884	38,848,385	6,021,325
	<u>31,840,212</u>	<u>36,220,866</u>	<u>40,693,660</u>	<u>6,307,334</u>
Perpetual capital instruments	820,364	519,781	519,781	80,564
Non-controlling interests	6,246,452	15,060,519	21,194,011	3,284,976
	<u>38,907,028</u>	<u>51,801,166</u>	<u>62,407,452</u>	<u>9,672,875</u>

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
LIABILITIES				
Non-current liabilities				
Borrowings	39,942,307	45,899,678	50,934,930	7,996,943
Lease liabilities	197,515	675,920	2,349,586	368,892
Other payables	87,617	182,167	137,115	21,527
Deferred income tax liabilities	6,516,251	7,242,444	8,472,243	1,330,169
	<u>46,743,690</u>	<u>54,000,209</u>	<u>61,893,874</u>	<u>9,593,272</u>
Current liabilities				
Trade and other payables	29,972,583	35,229,517	46,378,690	7,188,488
Contract liabilities	22,694,564	22,757,332	38,925,437	6,033,268
Current income tax liabilities	8,625,998	10,462,611	13,238,405	2,051,893
Borrowings	15,320,774	20,667,678	22,022,693	3,413,418
Convertible bonds	—	—	—	—
Lease liabilities	232,318	213,000	189,902	29,434
	<u>76,846,237</u>	<u>89,330,138</u>	<u>120,755,127</u>	<u>18,716,502</u>
Total liabilities	<u>123,589,927</u>	<u>143,330,347</u>	<u>182,649,001</u>	<u>28,309,774</u>
Total equity and liabilities	<u>162,496,955</u>	<u>195,131,513</u>	<u>245,056,453</u>	<u>37,982,649</u>

RESULTS OF OPERATIONS

Our financial information for the years ended December 31, 2020 and 2021 in this section was derived from our 2021 Annual Report. Our financial information for the years ended December 31, 2019 and 2020 in this section was derived from our 2020 Annual Report.

2021 Compared to 2020

Revenue. Our revenue increased by 12.4% from RMB35,495.3 million in 2020 to RMB39,902.5 million in 2021. The increase was primarily attributable to an increase in our revenue from each of our business segments.

- **Property Development.** Our revenue generated from property development increased by 11.3% from RMB31,485.9 million in 2020 to RMB35,034.6 million in 2021. This was mainly attributable to an overall increase in the sales of residential properties.
- **Property Management Services.** Our revenue generated from property management services increased by 22.6%, from RMB1,674.5 million in 2020 to RMB2,026.6 million in 2021. The increase was primarily generated from the provision of commercial operation and residential property management services for projects developed by us and other third parties.
- **Property Investment.** Our revenue generated from property investment increased by 14.6% from RMB1,419.9 million in 2020 from RMB1,681.4 million in the year ended December 31, 2019. The increase was primarily due to an increase in market penetration as a result of continued enhancement in the quality of our commercial property operations services.
- **Other Property Development Related Services.** Our revenue generated from other property development related services increased by 50.1% from RMB751.3 million in 2020 from RMB1,159.8 million in 2021. The increase was primarily due to the year-on-year increase in income from our hotel operations and the provision of consultation service.

Cost of sales. Our cost of sales increased by 20.7% from RMB22,679.5 million in 2020 from RMB27,383.4 million in 2021. The increase was primarily due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered in 2021.

Gross profit. Our gross profit decreased by 2.3% from RMB12,815.8 million in 2020 from RMB12,519.1 million in 2021. Our gross profit margin decreased from 36.1% in 2020 to 31.4% in 2021.

Fair value gains on investment properties. Fair value gains on our investment properties decreased by 18.4% from RMB2,095.8 million in 2020 to RMB1,711.0 million in 2021. The decrease in revaluation gains was mainly due to a relatively moderate increase in the rent of shopping malls in 2021.

Selling and marketing costs. Our selling and marketing expenses increased by 27.0% from RMB1,096.2 million in 2020 to RMB1,392.5 million in 2021. The increase was primarily due to our business growth, as a result of expansion in the scale of sales and projects management.

Administrative expenses. Our administrative expenses increased by 23.7% from RMB1,545.6 million in 2020 to RMB1,911.9 million in 2021. The increase was primarily due to business expansion.

Other gains — net. Our other gains — net in 2021 amounted to RMB1,390.3 million.

Finance income/costs — net. We had finance income of RMB312.4 million in 2020 compared to finance costs of RMB434.7 million in 2021, primarily as a result of an increase in foreign exchange losses on our borrowings which is offset by a decrease in interest expenses in relation to our borrowings and lease liabilities.

Income tax expense. Our income tax expenses increased by 7.7% from RMB4,468.0 million in 2020 from RMB4,811.7 million in 2021, due to the increase in PRC land appreciation tax.

Profit for the year. Our profit for the year decreased by 46.5% from RMB8,815.4 million in 2020 from RMB7,336.1 million in 2021.

Non-controlling interests. Our profit attributable to non-controlling interests in 2020 was RMB2,671.2 million and our profit attributable to non-controlling interests in 2021 was RMB1,306.0 million.

Profit attributable to our equity holders decreased by 50.8% from RMB6,093.2 million in 2020 from RMB5,992.1 million in 2021.

2020 Compared to 2019

Revenue. Our revenue increased by 36.3% to RMB35,495.3 million in 2020 from RMB26,041.6 million in 2019. The increase was primarily attributable to an increase in our revenue from each of our business segments.

- **Property Development.** Our revenue generated from property development increased by 40.1% to RMB31,485.9 million in 2020 from RMB22,477.6 million in 2019. This was mainly attributable to an overall increase in the sales of residential properties.
- **Property Management Services.** Our revenue generated from property management services increased by 20.2% to RMB1,674.5 million in 2020 from RMB1,392.8 million in 2019. The increase was primarily generated from the provision of commercial operation and residential property management services for projects developed by us and other third parties.
- **Property Investment.** Our revenue generated from property investment increased by 10.0% to RMB1,561.8 million in 2020 from RMB1,419.9 million in 2019. The increase was primarily due to an increase in market penetration as a result of continued enhancement in the quality of our commercial property operations services and the opening of our six new shopping malls during the year.
- **Other Property Development Related Services.** Our revenue generated from other property development related services increased by 2.9% to RMB773.1 million in 2020 from RMB751.3 million in 2019. The increase was primarily due to the year-on-year increase in income from our hotel operations.

Cost of sales. Our cost of sales increased by 37.0% to RMB22,679.5 million in 2020 from RMB16,558.6 million in 2019. The increase was primarily due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered in 2020.

Gross profit. Our gross profit increased by 35.1% to RMB12,815.8 million in 2020 from RMB9,483.0 million in 2019. Our gross profit margin decreased from 36.4% in 2019 to 36.1% in 2020.

Fair value gains on investment properties. Fair value gains on our investment properties decreased by RMB298.6 million to RMB2,095.8 million in 2020 from RMB2,394.4 million in 2019. The decrease in revaluation gains was mainly due to a relatively moderate increase in the market rent of shopping malls in 2020.

Selling and marketing costs. Our selling and marketing expenses increased by 11.3% to RMB1,096.2 million in 2020 from RMB984.5 million in 2019. The increase was primarily due to our business expansion coupled with the expansion of the scale of the projects we sold and managed during the year ended December 31, 2020 as compared to 2019.

Administrative expenses. Our administrative expenses increased by 9.5% to RMB1,545.6 million in 2020 from RMB1,411.1 million in 2019. The slight decrease was primarily due to our continued efforts to exercise stringent control over expenses and costs whilst striving to continue with our business expansion.

Other gains — net. Our other gains — net in 2020 amounted to RMB184.2 million.

Finance income/costs — net. We had finance income of RMB312.4 million in 2020 compared to finance costs of RMB899.8 million in 2019, primarily as a result of foreign exchange losses on our financing activities as well as interest expenses in relation to our borrowings and lease liabilities.

Income tax. Our income tax expenses increased by 16.4% to RMB4,468.0 million in 2020 from RMB3,838.5 million in 2019, due to the increase in PRC corporate income tax and land appreciation tax.

Profit for the period. Our profit for the period increased by 46.5% to RMB8,815.4 million in 2020 from RMB6,017.9 million in 2019.

Non-controlling interests. Our profit attributable to non-controlling interests in 2020 was RMB2,671.2 million and our profit attributable to non-controlling interests in 2019 was RMB1,907.2 million.

Profit attributable to our equity holders increased by RMB2,052.1 million, or 50.8%, to RMB6,093.2 million in 2020 from RMB4,041.1 million in 2019.

The table below sets forth details of our major PRC subsidiaries as of the date of this offering memorandum:

#	English Name	Chinese Name	Effective shareholding
1	Shanghai Jincai Investment Consulting Co., Ltd	上海錦財投資諮詢有限公司	100%
2	Shanghai Zhishen Internet Technology Co., Ltd	上海致燊網絡科技有限公司	100%
3	Shanghai Huayuan Financing and Leasing Co., Ltd	上海華浣融資租賃有限公司	100%
4	Shanghai Hecan Industrial Co., Ltd.	上海赫璨實業有限公司	100%
5	Shanghai Yuanlong Investment Management Co., Ltd.	上海源龍投資管理有限公司	100%
6	Shanghai Xinglong Investment Management Co., Ltd.	上海興龍投資管理有限公司	100%
7	Zhoushan Yusheng Equity Investment Fund Partnership (Limited Partnership)	舟山譽勝股權投資基金合夥企業 (有限合夥)	100%
8	Powerlong Huakang (Beijing) Investment Co., Ltd.	寶龍華康(北京)投資有限公司	100%
9	Shanghai Linli Information Technology Co., Ltd.	上海霖黎信息科技有限公司	100%
10	Shanghai Ningyan Industrial Co., Ltd.	上海凝豔實業有限公司	100%
11	Shanghai Xufan Industrial Co., Ltd.	上海絮範實業有限公司	100%
12	Shanghai Hongcheng Enterprise Management Co., Ltd.	上海洪誠企業管理有限公司	95%
13	Jinjiang Huazhan Enterprise Management Co., Ltd.	晉江市華展企業管理有限公司	95%
14	Jinjiang Baocheng Enterprise Management Co., Ltd.	晉江市寶晟企業管理有限公司	95%
15	Hangzhou Baota Enterprise Management Co., Ltd.	杭州寶拓企業管理有限公司	95%
16	Zhuji Runlong Property Co., Ltd.	諸暨潤龍置業有限公司	89%
17	Shanghai Naidun Enterprise Management Co., Ltd.	上海奈盾企業管理有限公司	95%
18	Ningbo Longzhan Real Estate Development Co., Ltd.	寧波龍展房地產開發有限公司	95%
19	Shanghai Hengjie Enterprise Management Co., Ltd.	上海恒捷企業管理有限公司	95%
20	Ningbo Longxin Real Estate Development Co., Ltd.	寧波龍信房地產開發有限公司	95%
21	Hangzhou Mingta Enterprise Management Co., Ltd.	杭州明拓企業管理有限公司	95%
22	Jinjiang Kangsheng Property Development Co., Ltd.	晉江市康勝置業發展有限公司	95%
23	Yantai Powerlong Property Development Co., Ltd.	煙臺寶龍置業發展有限公司	100%
24	Yantai Powerlong Real Estate Development Co., Ltd.	煙臺寶龍房地產開發有限公司	100%
25	Shanghai Haoshang Investment Management Co., Ltd.	上海皓商投資管理有限公司	100%
26	Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd.	上海寶龍展飛房地產開發有限公司 ⁽²⁾	100%
27	Shanghai Chongxu Investment Management Co., Ltd	上海崇旭投資管理有限公司	100%
28	Shanghai Qiaohu Investment Management Co., Ltd	上海僑禾投資管理有限公司	100%
29	Shanghai Kangrui Real Estate Development Co., Ltd. (Qingpu project)	上海康睿房地產發展有限公司 ^{(1) (4)}	100%
30	Shanghai Xiantong Property Co., Ltd.	上海賢通置業有限公司	100%
31	Shanghai Powerlong Fumin Real Estate Development Co., Ltd	上海寶龍富閩房地產開發有限公司	100%
32	Haining Baojun Real Estate Development Co., Ltd	海寧寶駿房地產開發有限公司	100%
33	Shanghai Powerlong Jingjun Real Estate Development Co., Ltd.	上海寶龍精駿房地產開發有限公司 ⁽¹⁾	100%
34	Chongqing Powerlong Changrun Property Development Co., Ltd.	重慶寶龍長潤置業發展有限公司	100%
35	Jinjiang Jinlong Industrial Development Co., Ltd.	晉江市晉龍實業發展有限公司	100%
36	Hangzhou Huazhan Real Estate Development Co., Ltd.	杭州華展房地產開發有限公司	100%
37	Hangzhou Yanwu Zhiyi Art and Culture Co., Ltd.	杭州言午至藝文化藝術有限公司	100%
38	Xiamen Powerlong Industry Co., Ltd.	廈門寶龍實業有限公司	100%
39	Xiamen Powerlong Property Development Co., Ltd.	廈門寶龍置業發展有限公司	100%
40	Tianjin Powerlong City Real Estate Development Co., Ltd.	天津寶龍城房地產開發有限公司	100%
41	Tianjin Powerlong Garden Real Estate Development Co., Ltd.	天津寶龍園房地產開發有限公司	100%
42	Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd (Huaxin project)	上海寶龍康晟房地產發展有限公司	100%
43	Shanghai Powerlong Huarui Real Estate Development Co., Ltd.	上海寶龍華睿房地產服務有限公司	100%
44	Shanghai Powerlong Kangjun Real Estate Development Co., Ltd.	上海寶龍康駿房地產開發有限公司	93%
45	Shanghai Powerlong Fujia Real Estate Development Co., Ltd.	上海寶龍富嘉房地產開發有限公司	70%
46	Shanghai Ruichen Enterprise Management Co., Ltd.	上海芮臣企業管理有限公司	100%
47	Shanghai Guoxia Enterprise Management Co., Ltd.	上海果夏企業管理有限公司	100%
48	Shanghai Jingzhe Enterprise Management Co., Ltd.	上海靖喆企業管理有限公司	100%
49	Shanghai Huangteng Enterprise Management Co., Ltd.	上海煌騰企業管理有限公司	100%
50	Shanghai Jiawei Real Estate Development Co., Ltd.	上海嘉偉房地產開發有限公司	100%

#	English Name	Chinese Name	Effective shareholding
51	Shanghai Powerlong Fangjun Real Estate Development Co., Ltd.	上海寶龍芳駿房地產開發有限公司	100%
52	Tianjin Denghui Enterprise Management Co., Ltd.	天津登慧企業管理有限公司	100%
53	Shanghai Zhimei Enterprise Management Co., Ltd.	上海之玫企業管理有限公司	100%
54	Hangzhou Longta Enterprise Management Co., Ltd.	杭州龍拓企業管理有限公司	95%
55	Shanghai Zhenqian Enterprise Management Co., Ltd.	上海振茜企業管理有限公司	100%
56	Fengxian Longyao Real Estate Development Co., Ltd.	豐縣龍耀房地產開發有限公司	100%
57	Yiwu Longrui Real Estate Development Co., Ltd.	義烏龍瑞房地產開發有限公司	100%
58	Shanghai Baoxing Enterprise Management Co., Ltd.	上海寶星企業管理有限公司	100%
59	Wenzhou Baoxin Real Estate Development Co., Ltd.	溫州寶信房地產開發有限公司	100%
60	Shanghai Maotai Enterprise Management Co., Ltd.	上海茂泰企業管理有限公司	95%
61	Nanjing Zhimei Enterprise Management and Consulting Co., Ltd.	南京之玫企業管理諮詢有限公司	95%
62	Tianjin Ruijing Enterprise Management Co., Ltd.	天津瑞景企業管理有限公司	95%
63	Shanghai Denghui Enterprise Management Co., Ltd.	上海登慧企業管理有限公司	100%
64	Hangzhou Baojin Property Co., Ltd.	杭州寶晉置業有限公司	100%
65	Fengxian Changfeng Energy Co., Ltd.	豐縣常豐能源有限公司	100%
66	Powerlong (Fengxian) Real Estate Development Co., Ltd.	寶龍(豐縣)房地產開發有限公司	100%
67	Fengxian Changxin Trading Co., Ltd.	豐縣常鑫商貿有限公司	100%
68	Guangdong Jiuchen Real Estate Co., Ltd.	廣東九辰房地產有限公司	100%
69	Shanghai Funai Industrial Co., Ltd.	上海富奈實業有限公司	100%
70	Zhenjiang Powerlong Property Development Co., Ltd.	鎮江寶龍置業發展有限公司	100%
71	Wuxi Yuheng Asset Operation and Management Co., Ltd.	無錫譽恒資產經營管理有限公司	100%
72	Shanghai Suiliao Enterprise Management Co., Ltd.	上海綏廖企業管理有限公司	67%
73	Wuxi Jiayu Property Co., Ltd.	無錫嘉御置業有限公司	67%
74	Xuzhou Baoxin Real Estate Development Co., Ltd.	徐州寶信房地產開發有限公司	80%
75	Shanghai Pengfang Enterprise Management Co., Ltd.	上海鵬舫企業管理有限公司	82%
76	Zhejiang Powerlong Xinghui Enterprise Management Co., Ltd.	浙江寶龍星匯企業管理有限公司	78%
77	Shanghai Pengye Enterprise Management Co., Ltd.	上海鵬燁企業管理有限公司	78%
78	Fuding Powerlong Yingju Real Estate Co., Ltd.	福鼎寶龍英聚房地產有限公司	52%
79	Hangzhou Juhong Industrial Development Co., Ltd.	杭州聚鴻實業發展有限公司	78%
80	Hangzhou Juhang Industrial Development Co., Ltd.	杭州聚杭實業發展有限公司	78%
81	Hangzhou Juna Industrial Development Co., Ltd.	杭州聚納實業發展有限公司	78%
82	Hangzhou Juxing Industrial Development Co., Ltd.	杭州聚行實業發展有限公司	78%
83	Ningbo Fenghua Powerlong Huahe Property Co., Ltd.	寧波奉化寶龍華和置業有限公司	78%
84	Ningbo Tangshima Property Co., Ltd.	寧波湯仕瑪置業有限公司	90%
85	Ningbo Yuanda Industrial Investment Co., Ltd.	寧波遠大實業投資有限公司	100%
86	Shanghai Jukai Enterprise Management Co., Ltd.	上海聚凱企業管理有限公司	95%
87	Changshu Powerlong Real Estate Development Co., Ltd.	常熟寶龍房地產開發有限公司	95%
88	Qingdao Powerlong Property Development Co., Ltd.	青島寶龍置業發展有限公司	100%
89	Changzhou Powerlong Property Development Co., Ltd.	常州寶龍置業發展有限公司	100%
90	Xinxiang Powerlong Property Development Co., Ltd.	新鄉寶龍置業發展有限公司	100%
91	Yancheng Powerlong Property Development Co., Ltd.	鹽城寶龍置業發展有限公司	100%
92	Yantai Powerlong Sports Property Co., Ltd. (Haiyang project)	煙臺寶龍體育置業有限公司	100%
93	Fuzhou Powerlong Trading Co., Ltd.	福州寶龍貿易有限公司	100%
94	Wuxi Yuqi Powerlong Property Co., Ltd.	無錫玉祁寶龍置業有限公司	100%
95	Luoyang Powerlong Property Development Co., Ltd.	洛陽寶龍置業發展有限公司 ⁽²⁾	100%
96	Tianjin Panlong Real Estate Development Co., Ltd.	天津磐龍房地產開發有限公司	51%
97	Zhangzhou Powerlong Property Co., Ltd.	漳州寶龍置業有限公司	75%
98	Suqian Powerlong Property Development Co., Ltd.	宿遷寶龍置業發展有限公司	100%
99	Shandong Powerlong Industrial Development Co., Ltd.	山東寶龍實業發展有限公司	100%
100	Zhengzhou Powerlong Houses Tenancy Co., Ltd.	鄭州寶龍房屋租賃有限公司 (鄭州地產分立)	100%
101	Suzhou Powerlong Real Estate Development Co., Ltd.	蘇州寶龍房地產發展有限公司	100%
102	Bengbu Powerlong Property Co., Ltd.	蚌埠寶龍置業有限公司	100%
103	Anxi Powerlong Property Development Co., Ltd.	安溪寶龍置業發展有限公司	100%

#	English Name	Chinese Name	Effective shareholding
104	Powerlong Group (Qingdao) Property Development Co., Ltd.	寶龍集團(青島)置業發展有限公司	100%
105	Anxi Powerlong Asset Operation and Management Co., Ltd.	安溪寶龍資產經營管理有限公司 (安溪地產保留)	85%
106	Huai'an Powerlong Construction Development Co., Ltd.	淮安寶龍建設發展有限公司	100%
107	Huaian Debaixin Property Co., Ltd.	淮安德百信置業有限公司	100%
108	Shanghai Powerlong Haofeng Enterprise Development Co., Ltd.	上海寶龍皓豐企業發展有限公司	100%
109	Shanghai Haoxiang Catering Management Co., Ltd.	上海豪祥餐飲管理有限公司	100%
110	Hangzhou Powerlong Real Estate Development Co., Ltd.	杭州寶龍房地產開發有限公司 ⁽³⁾	100%
111	Yancheng Powerlong Commercial Development Co., Ltd.	鹽城寶城商業發展有限公司	65%
112	Yancheng Yulong Property Co., Ltd.	鹽城御龍置業有限公司	65%
113	Xiamen Powerlong Real Estate Management Co., Ltd.	廈門寶龍地產管理有限公司	100%
114	Shanghai Chuzhe Industrial Co., Ltd.	上海楚喆實業有限公司	100%
115	Shanghai Yulong Investment Management Co., Ltd.	上海譽龍投資管理有限公司	100%
116	Ningbo Meishan Baoshuigangqu Yulong Investment Management Co., Ltd.	寧波梅山保税港區譽龍投資管理有限公司	100%
117	Shanghai Guibo Industrial Co., Ltd.	上海貴鎔實業有限公司	100%
118	Ningbo Powerlong Guijiao Jinhai Complex Development Co., Ltd.	寧波寶龍軌交金海綜合開發有限公司 (一級開發)	95%
119	Wuxi Powerlong Real Estate Development Co., Ltd.	無錫寶龍房地產發展有限公司	80%
120	Wuxi Longmai Catering and Entertainment Co., Ltd.	無錫龍麥餐飲娛樂有限公司(旺莊)	80%
121	Tianjin Powerlong Jinjun Real Estate Development Co., Ltd.	天津寶龍金駿房地產開發有限責任公司	65%
122	Shanghai Zhanni Industrial Development Co., Ltd.	上海展尼實業發展有限公司	82%
123	Shanghai Zhanshan Industrial Development Co., Ltd.	上海展杉實業發展有限公司	82%
124	Shanghai Zhanshan Industrial Development Co., Ltd.	上海展楠實業發展有限公司	82%
125	Shanghai Pengge Industrial Development Co., Ltd.	上海鵬舸實業發展有限公司	82%
126	Hainan Powerlong Jinhe Property Co., Ltd.	海南寶龍晉合置業有限公司 ⁽¹⁾	50%
127	Shanghai Guange Industrial Development Co., Ltd.	上海冠舸實業發展有限公司	82%
128	Shanghai Guanfang Industrial Development Co., Ltd.	上海冠舫實業發展有限公司	82%
129	Shanghai Pengduo Industrial Development Co., Ltd.	上海鵬鐸實業發展有限公司	82%
130	Shanghai Pengchi Industrial Development Co., Ltd.	上海鵬熾實業發展有限公司	82%
131	Dongying Powerlong Real Estate Development Co., Ltd.	東營寶龍房地產開發有限公司	82%
132	Shanghai Powerlong Ruicheng Real Estate Development Co., Ltd.	上海寶龍睿承房地產開發有限公司	82%
133	Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd.	上海寶龍瑞勝房地產開發有限公司	82%
134	Zhejiang Powerlong Xingju Enterprise Management Development Co., Ltd.	浙江寶龍星聚企業管理發展有限公司	82%
135	Shanghai Zhanmei Industrial Development Co., Ltd.	上海展梅實業發展有限公司	82%
136	Shanghai Zhanpei Industrial Development Co., Ltd.	上海展佩實業發展有限公司	82%
137	Shanghai Haohu Industrial Development Co., Ltd.	上海豪湖實業發展有限公司	82%
138	Ningbo Powerlong Huahong Property Development Co., Ltd.	寧波寶龍華泓置業發展有限公司	82%
139	Ningbo Fenghua Powerlong Huaxiang Property Co., Ltd.	寧波奉化寶龍華祥置業有限公司	82%
140	Ningbo Powerlong Huayu Property Development Co., Ltd.	寧波寶龍華隅置業發展有限公司 ⁽¹⁾	82%
141	Zhejiang Zhoushan Powerlong Real Estate Development Co., Ltd.	浙江舟山寶龍房地產開發有限公司	84%
142	Fuyang Powerlong Real Estate Development Co., Ltd.	富陽寶龍房地產開發有限公司	82%
143	Ningbo Powerlong Huazhan Property Development Co., Ltd.	寧波寶龍華展置業發展有限公司	57%
144	Bazhong Quansheng Real Estate Development Co., Ltd.	巴中泉商房地產開發有限公司	62%
145	Zhangzhou Powerlong Xiaozhen Development Management Co., Ltd.	漳州寶龍小鎮開發管理有限公司	66%
146	Shanghai Haocang Industrial Development Co., Ltd.	上海豪滄實業發展有限公司	66%
147	Xiamen Hualong Property Management Co., Ltd.	廈門華龍物業管理有限公司	100%
148	Xinxiang Powerlong Commercial Property Management Co., Ltd.	新鄉寶龍商業物業管理有限公司	100%
149	Taicang Baohua Property Management Co., Ltd.	太倉寶華物業管理有限公司	100%
150	Shanghai Powerlong Property Management Co., Ltd.	上海寶龍物業管理有限公司	100%
151	Xinxiang Powerlong Property Management Co., Ltd.	新鄉寶龍物業管理有限公司	100%
152	Qingdao Jimo Powerlong Commercial Property Management Co., Ltd.	青島即墨寶龍商業物業管理有限公司	100%
153	Shanghai Powerlong Commercial Property Management Co., Ltd.	上海寶龍商業地產管理有限公司	100%
154	Luoyang Powerlong Commercial Property Management Co., Ltd.	洛陽寶龍商業物業管理有限公司	100%
155	Anxi Powerlong Commercial Property Service Co., Ltd.	安溪寶龍商業物業服務有限公司	100%

#	English Name	Chinese Name	Effective shareholding
156	Bengbu Powerlong Commercial Property Management Co., Ltd.	蚌埠寶龍商業物業管理有限公司	100%
157	Fuzhou Powerlong Commercial Operation Management Co., Ltd.	福州寶龍商業經營管理有限公司	100%
158	Zhengzhou Powerlong Commercial Property Management Co., Ltd.	鄭州寶龍商業物業管理有限公司	100%
159	Jinjiang Yulong Commercial Property Management Co., Ltd.	晉江禦龍商業物業管理有限公司	100%
160	Suqian Powerlong Commercial Property Management Co., Ltd.	宿遷寶龍商業物業管理有限公司	100%
161	Wuxi Powerlong Commercial Property Management Co., Ltd.	無錫寶龍商業物業管理有限公司	100%
162	Yancheng Powerlong Commercial Property Management Co., Ltd.	鹽城寶龍商業物業管理有限公司	100%
163	Qingdao Licang Powerlong Commercial Property Management Co., Ltd.	青島李滄寶龍商業物業管理有限公司	100%
164	Yantai Powerlong Commercial Property Management Co., Ltd.	煙臺寶龍商業物業管理有限公司	100%
165	Hangzhou Haolong Enterprise Management Co., Ltd.	杭州皓龍企業管理有限公司	100%
166	Changzhou Junlong Commercial Management Co., Ltd.	常州駿龍商業管理有限公司	100%
167	Zhenjiang Yulong Commercial Management Co., Ltd.	鎮江御龍商業管理有限公司	100%
168	Qingdao Powerlong Yingju Commercial Property Management Co., Ltd.	青島寶龍英聚商業物業管理有限公司	100%
169	Shanghai Xuxin Enterprise Management Co., Ltd.	上海煦新企業管理有限公司	100%
170	Shanghai Kangqian Commercial Operation Management Co., Ltd.	上海康謙商業經營管理有限公司	100%
171	Shanghai Juanxin Enterprise Management Co., Ltd.	上海鑄新企業管理有限公司	100%
172	Shanghai Baozhan Commercial Operation Management Co., Ltd.	上海寶瞻商業經營管理有限公司	100%
173	Shanghai Baoqian Commercial Operation Management Co., Ltd.	上海寶謙商業經營管理有限公司	100%
174	Shanghai Huazhan Commercial Operation Management Co., Ltd.	上海華瞻商業經營管理有限公司	100%
175	Shanghai Huaqian Commercial Operation Management Co., Ltd.	上海華潛商業經營管理有限公司	100%
176	Shanghai Jinglong Enterprise Management Co., Ltd.	上海涇龍企業管理有限公司	100%
177	Bengbu Yulong Material Trading Co., Ltd.	蚌埠御龍物資貿易有限公司	100%
178	Hangzhou Junlong Enterprise Management Co., Ltd.	杭州駿龍企業管理有限公司	100%
179	Hangzhou Xiaoshan Yulong Commercial Management Co., Ltd.	杭州蕭山御龍商業管理有限公司	100%
180	Hangzhou Fuyang Powerlong Commercial Investment Management Co., Ltd.	杭州富陽寶龍商業投資管理有限公司	100%
181	Yangzhou Powerlong Commercial Management Co., Ltd.	揚州寶龍商業經營管理有限公司	100%
182	Xiamen Baojuan Commercial Management Co., Ltd.	廈門寶鑄商業管理有限公司	100%
183	Yantai Yulong Commercial Property Management Co., Ltd.	煙臺御龍商業物業管理有限公司	100%
184	Jiangyou Powerlong Commercial Property Management Co., Ltd.	江油寶龍商業管理有限公司	100%
185	Qingdao Powerlong Commercial Property Management Co., Ltd.	青島寶龍商業物業管理有限公司	100%
186	Tianjin Junlong Commercial Management Co., Ltd.	天津駿龍商業管理有限公司	100%
187	Dongying Powerlong Commercial Operation Management Co., Ltd.	東營寶龍商業經營管理有限公司	100%
188	Fuyang Powerlong Commercial Operation Management Co., Ltd.	阜陽寶龍商業經營管理有限公司	100%
189	Chongqing Powerlong Zhangrun Property Management Co., Ltd.	重慶寶龍長潤物業管理有限公司	100%
190	Shanghai Yulong Property Management Co., Ltd.	上海御龍物業管理有限公司	100%
191	Shanghai Powerlong Yiqing Hotel Management Co., Ltd.	上海寶龍藝境酒店管理有限公司	100%
192	Shanghai Powerlong Qinghao Hotel Management Co., Ltd.	上海寶龍磬浩酒店管理有限公司	100%
193	Qingdao Powerlong Hotel Management Co., Ltd.	青島寶龍大酒店管理有限公司	100%
194	Shanghai Powerlong Ruixin Hotel Management Co., Ltd.	上海寶龍睿欣酒店管理有限公司	100%
195	Suzhou Taicang Powerlong Hotel Co., Ltd.	蘇州太倉寶龍大酒店有限公司	100%
196	Shandong Taian Ruilong Hotel Co., Ltd.	山東泰安瑞龍大酒店有限公司 (泰安地產分立)	100%
197	Shanghai Huanya Architecture Design Co., Ltd.	上海寰亞建築設計有限公司	100%
198	Pingxiang Youpu Architecture Design Co., Ltd.	萍鄉優浦建築設計有限公司	100%
199	Pingxiang Nading Construction Engineering Co., Ltd.	萍鄉納迪通建築工程有限公司	100%
200	Pingxiang Tianmengxing Marketing Planning Co., Ltd.	萍鄉天夢星營銷策劃有限公司	100%
201	Shanghai Yingjie Trading Co., Ltd.	上海盈捷貿易有限公司	100%
202	Shanghai Maokang Investment Co., Ltd.	上海茂康投資有限公司	100%
203	Ningbo Yifengda Trading Co., Ltd.	寧波毅豐達貿易有限公司	100%
204	Shanghai Yingjie Marketing Planning Co., Ltd.	上海盈捷營銷策劃有限公司	100%
205	Pingxiang Baochuang Real Estate Property Co., Ltd.	萍鄉寶創房地產置業有限公司	100%
206	Pingxiang Hezhong Chuangzhi Advertising Co., Ltd.	萍鄉合眾創智廣告有限公司	100%
207	Shanghai Kouzhan Construction Consulting Co., Ltd.	上海蔻展工程諮詢有限公司	100%
208	Pingxiang Youyuan Architecture Design Co., Ltd.	萍鄉優元建築設計有限公司	100%

#	English Name	Chinese Name	Effective shareholding
209	Pingxiang Runtianchang Construction Engineering Co., Ltd.	萍鄉潤天暢建築工程有限公司	100%
210	Pingxiang Duohui Marketing Planning Co., Ltd.	萍鄉多輝營銷策劃有限公司	100%
211	Pingxiang Chiwantong Trading Co., Ltd.	萍鄉馳萬通貿易有限公司	100%
212	Anxi Yizhu Hotel Co., Ltd.	安溪藝築酒店有限公司	85%
213	Chongqing Powerlong Yiyue Hotel Co., Ltd.	重慶寶龍藝悅酒店有限公司	100%
214	Shanghai Fengzhong Enterprise Management Co., Ltd.	上海豐眾企業管理有限公司	95%
215	Ningbo Longtuo Enterprise Management Co., Ltd.	寧波龍拓企業管理有限公司	95%
216	Hangzhou Chengtuo Industrial Co., Ltd.	杭州城拓實業有限公司	95%
217	Nanjing Zhimei Construction Industry Development Co., Ltd.	南京之枚建設實業發展有限公司	95%
218	Changzhou Chengyuan Real Estate Development Co., Ltd.	常州誠遠置業發展有限公司	95%
219	Bengbu Powerlong Asset Operation and Management Co., Ltd.	蚌埠寶龍資產經營管理有限公司	100%
220	Shandong Tai'an Powerlong Houses Tenancy Co., Ltd.	山東泰安寶龍房屋租賃有限公司	100%
221	Yancheng Powerlong Housing Rental Co., Ltd.	鹽城寶龍房屋租賃有限公司	100%
222	Yancheng Powerlong Yijing Hotel Co., Ltd.	鹽城寶龍藝境酒店有限公司	100%
223	Chongqing Powerlong Minsheng Housing Rental Co., Ltd.	重慶寶龍閩晟房屋租賃有限公司	100%
224	Taizhou Pengzhao Real Estate Development Co., Ltd.	台州鵬森房地產開發有限公司	78%
225	Qingdao Hailongyilian Real Estate Co., Ltd.	青島海龍衣聯置業有限公司	66%
226	Taizhou Huayi Real Estate Co., Ltd.	台州華懿置業有限公司	78%
227	Taizhou Tianqu Real Estate Co., Ltd.	台州天衢置業有限公司	78%
228	Hangzhou Juyou Enterprise Management Co., Ltd.	杭州聚佑企業管理有限公司	78%
229	Hangzhou Jurui Enterprise Management Co., Ltd.	杭州聚銳企業管理有限公司	78%
230	Hangzhou Juxiang Enterprise Management Co., Ltd.	杭州聚祥企業管理有限公司	78%
231	Hangzhou Jumaao Enterprise Management Co., Ltd.	杭州聚茂企業管理有限公司	78%
232	Hangzhou Juyang Enterprise Management Co., Ltd.	杭州聚揚企業管理有限公司	78%
233	Hangzhou Juyi Enterprise Management Co., Ltd.	杭州聚毅企業管理有限公司	78%
234	Shaoxing Keqiao Juhang Real Estate Development Co., Ltd.	紹興柯橋聚杭房地產開發有限公司	78%
235	Pan'an Powerlong Real Estate Co., Ltd.	磐安寶龍置業有限公司	78%
236	Zhoushan Juyou Real Estate Development Co., Ltd.	舟山聚佑房地產開發有限公司	78%
237	Zhejiang Powerlong Cultural Tourism Development Co., Ltd.	浙江寶龍文化旅遊發展有限公司	100%
238	Shanghai Jiaqi Digital Technology Co., Ltd.	上海嘉綺數字科技有限公司	100%
239	Shanghai Manmian Catering Management Co., Ltd.	上海漫綿餐飲管理有限公司	51%
240	Jiaxing Yucheng Investment Co., Ltd.	嘉興譽承投資有限公司	90%
241	Shanghai Zhiyun Cultural Development Co., Ltd.	上海致韻文化發展有限公司	100%
242	Xiamen Yanwuzhi Art and Culture Co., Ltd.	廈門言午至藝文化藝術有限公司	100%
243	Shanghai ZhiJing Culture Development Co., Ltd.	上海致景文化發展有限公司	100%
244	Shanghai Shangshen Investment Management Consulting Company Limited	上海商盛投資管理諮詢有限公司	90%
245	Shanghai Ruilong Investment Management Co., Ltd	上海瑞龍投資管理有限公司	100%
246	Qingdao Powerlong Real Estate Development Co., Ltd	青島寶龍房地產發展有限公司	100%
247	Qingdao Powerlong Yingju Culture Tourism Development Co., Ltd.	青島寶龍英聚文化旅遊開發有限公司	61.5%
248	Shanghai Powerlong Industrial Development (Group) Co., Ltd.	上海寶龍實業發展(集團)有限公司	100%
249	Yongkang Longxin Property Co., Ltd.	永康龍新置業有限公司	57.4%
250	Shanghai Quanying Industrial Development Co., Ltd.	上海全贏實業發展有限公司	100%
251	Shanghai Honglai Industrial Development Co., Ltd.	上海泓來實業發展有限公司	82%
252	Zhuhai Pengye Property Co., Ltd.	珠海鵬燁置業有限公司 ⁽¹⁾	90.1%
253	Zhuhai Powerlong Property Co., Ltd	珠海寶龍置業有限公司 ⁽¹⁾	90.1%
254	Hangzhou Lin'an Longxing Real Estate Development Co., Ltd	杭州臨安龍興房地產開發有限公司	51%
255	Shanghai Longwei Industrial Co., Ltd	上海隆維實業有限公司	95%
256	Zhuhai Pengwan Property Co., Ltd.	珠海鵬灣置業有限公司	89%
257	Yangzhou Powerlong Real Estate Co., Ltd	揚州寶龍房地產有限公司	78%
258	Zhoushan Junlong Commercial Property Management Co., Ltd.	舟山駿龍商業地產管理有限公司	100%
259	Haiko Powerlong Industrial Development Co., Ltd.	海口寶龍實業發展有限公司	100%
260	Wuxi Yingjiu Real Estate Co., Ltd.	無錫英聚房地產有限公司	98%
261	Shanghai Huguan Real Estate Co., Ltd.	上海湖冠房地產有限公司	50%
262	Shanghai Penger Industrial Development Co., Ltd.	上海鵬爾實業發展有限公司	86%

#	English Name	Chinese Name	Effective shareholding
263	Linhai Jiuxiang Real Estate Development Co., Ltd.	臨海聚祥房地產開發有限公司	78%
264	Ningbo Powerlong Jiuna Real Estate Development Co., Ltd.	寧波寶龍聚納置業發展有限公司	78%
265	Xiangshan Powerlong Jiupeng Real Estate Development Co., Ltd.	象山寶龍聚鵬房地產開發有限公司	95%
266	Zhuhai Powerlong Real Estate Development and Operation Co. Ltd.	珠海寶龍房地產開發經營有限公司	82%
267	Nanjing Runlong Real Estate Development Co., Ltd.	南京潤龍置業發展有限公司	67.5%
268	Taizhou Longde Real Estate Co., Ltd.	台州龍德置業有限公司	80.21%
269	Ningbo Fenghua Powerlong Huachang Real Estate Co., Ltd.	寧波奉化寶龍華昌置業有限公司	77.9%
270	Ningbo Powerlong Juxing Real Estate Co., Ltd.	寧波寶龍聚行置業有限公司	77.9%
271	Wuyishan Powerlong Real Estate Development Co., Ltd.	武夷山寶龍置業發展有限公司	70.33%
272	Wuxi Longhui Industrial Development Co., Ltd.	無錫龍暉實業發展有限公司	100%
273	Jinhua Yulong Real Estate Development Co., Ltd.	金華市禦龍房地產開發有限公司	98.72%
274	Xuzhou Powerlong Real Estate Development Co., Ltd.	徐州寶龍置業發展有限公司	100%
275	Nanjing Longhe Estate Development Co., Ltd.	南京龍合置業發展有限公司	100%
276	Wuhan Powerlong JuYang Real Estate Development Co., Ltd.	武漢寶龍聚揚房地產開發有限公司	100%
277	Guangdong Powerlong Zhengfang No.1 Real Estate Development Co., Ltd.	廣東寶龍正方壹號房地產開發有限公司	51%
278	Xiamen Zhanhao Real Estate Co., Ltd.	廈門展皓地產有限公司	63.88%
279	Zhangzhou Zhantai Property Co., Ltd.	漳州展泰置業有限公司	80%
280	Nanjing Baojing Property Development Co., Ltd.	南京寶敬置業發展有限公司	100%
281	Xiamen Qilong Real Estate Co., Ltd.	廈門麒麟置業有限公司	77.9%
282	Bozhou Juqian Real Estate Development Co., Ltd.	亳州聚謙房地產開發有限公司	77.9%
283	Wuhan Powerlong Juyao Real Estate Development Co., Ltd.	武漢寶龍聚曜房地產開發有限公司	100%
284	Yicheng Juqian Real Estate Development Co., Ltd.	宜城聚謙房地產開發有限公司	100%
285	Changzhou Yulong Real Estate Development Co., Ltd.	常州御龍房地產開發有限公司	51%
286	Wuxi Longyi Real Estate Development Co., Ltd.	無錫龍益房地產開發有限公司	100%
287	Hangzhou Jujian Enterprise Management Co., Ltd.	杭州聚簡企業管理有限公司	100%
288	Lingbi Powerlong Taiyi Real Estate Development Co., Ltd.	靈璧寶龍泰熠房地產開發有限公司	100%
289	Zhuhai Honghua Property Co., Ltd.	珠海洪華置業有限公司	100%
290	Zhuhai Hongteng Property Co., Ltd.	珠海洪騰置業有限公司	100%
291	Zhuhai Hongxing Property Co., Ltd.	珠海洪興置業有限公司	100%
292	Zhuhai Longze Enterprise Management Partnership Enterprise (Limited Partnership)	珠海龍澤企業管理合夥企業(有限合夥)	66%

Notes:

- (1) The shares of the company have been pledged pursuant to financing agreements or loan agreements.
- (2) The registered capital of the company has not been fully paid.
- (3) The company is on the list of enterprises with abnormal operations as the local government could not reach the company through its registered place of business.
- (4) The company is in the process of decreasing registered capital and splitting into two companies.

BUSINESS

OVERVIEW

We are a well-known property developer in China specializing in the development and operation of high-quality, large-scale, integrated retail and residential complexes. Our existing property projects are generally located in prime positions of fast-growing cities in Jiangsu Province, Anhui Province, Zhejiang Province, Hainan Province, Sichuan Province, Guangdong Province, Fujian Province, Shandong Province, Henan Province, Hubei Province and Xiangxi Province as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality.

Our business model sets us apart from many property developers in China. We focus more on owning and operating retail properties, and our strategy is to sell all the residential properties and a portion of the retail properties that we develop to generate cash flow for our business operations. We retain ownership of a significant portion of our retail properties for long-term investment to generate recurring rental income and capture potential capital appreciation.

We focus primarily on fast-growing, emerging cities or districts in the Yangtze River Region and the Greater Bay Area, and have expanded our business substantially into the Bohai Region, the Central China Region and the West Strait Region. Our projects are primarily large-scale integrated retail and residential complexes that are among the largest integrated retail and residential projects in the cities or districts where they are located.

Our main property development projects are branded “Powerlong Plaza”, and are integrated retail and residential complexes, typically with a total GFA ranging between 200,000 and 750,000 square meters each. The residential units in these projects target the end-user market, and the retail portions of the projects are designed to enhance the living environment for residents and other members of the surrounding community by providing easy access to staple services such as supermarkets, department stores, restaurants and fast food outlets, personal care services and movie theatres and other entertainment.

We report our revenue under the following segments, namely (i) property development; (ii) property investment; (iii) provision of commercial operational and residential property management services; and (iv) other property development related services. In 2019, 2020 and 2021, property development remained our key revenue driver.

Property Development. As of December 31, 2021, we had owned 220 projects which are at different phases of development. As of December 31, 2021, we had 81 fully completed projects, among which 13 are located in Jiangsu Province, 11 in Fujian Province, 7 in Shandong Province, 30 in Zhejiang Province, 1 in Henan Province, 2 in Anhui Province; 14 in Shanghai Municipality, 2 in Tianjin Municipality and 1 in Sichuan Province. We had 139 projects under development or held for future development, among which 3 are located in Shanghai Municipality, 35 in Jiangsu Province, 57 in Zhejiang Province, 15 in Fujian Province, 5 in Shandong Province, 3 in Tianjin Municipality, 4 in Henan Province, 1 in Chongqing Municipality, 1 in Hainan Province, 3 in Hubei Province, 5 in Guangdong Province, 3 in Jiangxi Province and 4 in Anhui Province.

Property Investment. As of December 31, 2021, we held and operated completed investment properties, mainly shopping malls, which are mainly located at Shanghai Municipality, Hangzhou, Shaoxing, Ningbo and Jinhua in Zhejiang Province; Nanjing, Zhenjiang, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province; Bengbu and Fuyang in Anhui Province; Yantai, Tai’an, Qingdao in Shandong Province; Tianjin Municipality; Zhengzhou, Luoyang and Xinxiang in Henan Province; Chongqing Municipality; and Fuzhou, Xiamen, Quanzhou and Zhangzhou in Fujian Province.

Property Management. We provide after-sales property management services to the households of each project developed by us through our wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer services.

Hotel Development. As of December 31, 2021, we owned a total of 20 hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province and Henan Province. Eight of our owned hotels are operated under operating agreements we entered into with international hotel management groups and the remaining 12 of our owned hotels are operated by us.

Our revenue in 2019, 2020 and 2021 was RMB26,041.6 million, RMB35,495.3 million and RMB39,902.5 million, respectively.

OUR PROPERTY PROJECTS

As of December 31, 2021, we owned, operated and managed projects in 50 cities and municipalities in China.

As of December 31, 2021, we (i) owned a total of 220 property projects and (ii) operated and managed three property projects not owned by us, in the follow categories in accordance with our classification system:

- completed GFA, comprising GFA that we have completed since our inception;
- GFA under development, comprising GFA with land use rights certificates issued by the relevant government authorities and the construction thereof commenced but for which the certificates of completion have not been obtained;
- GFA held for future development, comprising GFA with respect to which we have signed the relevant land grant contracts with the relevant PRC authorities but for which the construction have not commenced; and
- properties operated and managed by us.

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

Site Area Calculation. The site area information in this offering memorandum is derived on the following basis:

- when we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in such land use rights certificates; and
- before we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in the relevant land grant contracts or the relevant government permits related to the projects excluding, however, the areas earmarked for public infrastructure such as roads and community recreation zones.

GFA Calculation. The GFA information in this offering memorandum is derived on the following basis:

- if we have obtained the property ownership certificates for the projects, the saleable GFA information refers to the saleable GFA in the property ownership certificates;
- if we have not yet obtained the property ownership certificates but have obtained the construction permits, the total GFA information in respect of these projects refers to the total GFA in such construction permits;
- if we have not yet obtained the construction permits but have obtained the construction works planning permits for the projects, the total GFA information in respect of these projects refers to the total GFA in such construction works planning permits;
- if we have not yet obtained the construction works planning permits, but have received the land use rights certificates for the projects, the total GFA information in respect of these projects refers to the total GFA in such land use rights certificates; and

- if we have not obtained the land use rights certificates, but have signed the land grant contracts, the total GFA information in respect of these projects refers to the total GFA in such land grant contracts.

Total GFA stated in the property ownership certificates, construction permits and construction works planning permits includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes.

GFA held for sale and GFA held for lease information in this offering memorandum include GFA of car parking spaces unless otherwise specified. GFA sold information refers to the GFA in the relevant sale and purchase agreements on an aggregate basis.

GFA held for sale and GFA held for lease information are based on our Company and the directors' current plan and intention and may therefore be subject to adjustment.

As of December 31, 2021, the development status of our property projects was as follows:

Province/ municipality	Project	Type	Total GFA (*000 sq.m.)	Completed	GFA under	GFA held for
				GFA development (*000 sq.m.)	development (*000 sq.m.)	future development (*000 sq.m.)
Shanghai Municipality	Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場)	Commercial	270	270	-	-
	Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	Commercial	170	170	-	-
	Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	Commercial	179	179	-	-
	Shanghai Fengxian Situán Powerlong Plaza (上海奉賢四團寶龍廣場)	Commercial/residential	211	64	147	-
	Shanghai Hongqiao Powerlong Land (上海虹橋寶龍天地)	Commercial/residential	308	308	-	-
	Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	Commercial	193	193	-	-
	Shanghai Jiading Powerlong Land (上海嘉定寶龍天地)	Commercial	155	-	155	-
	Shanghai Jiuting Center (上海九亭中心)	Commercial	301	301	-	-
	Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	Commercial	86	86	-	-
	Shanghai Lingang Powerlong Mansion (上海臨港寶龍世家)	Commercial/residential	85	85	-	-
	Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	Commercial	36	36	-	-
	Shanghai Maqiao Longhu Tianlang (上海馬橋龍湖天琅)	Commercial	145	145	-	-
	Shanghai Qibao Powerlong City (上海七寶寶龍城)	Commercial	383	383	-	-
	Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	Commercial	348	348	-	-
	Shanghai Wujing Powerlong Plaza (上海吳淞寶龍廣場)	Commercial	91	91	-	-
	Shanghai Wujing Powerlong Plaza Phase II (上海吳淞寶龍廣場二期)	Commercial	83	83	-	-
	Shanghai Yangpu District Huanchuang Centre (上海楊浦環創中心)	Commercial	173	-	173	-
Sub-total	17	-	3,217	2,742	475	-
Zhejiang Province	Ningbo TOD Fengyong New Town 1-18/21 Land Lot Jinyuan (寧波TOD奉甬新城1-18/21地塊錦園)	Residential	46	46	-	-
	Ningbo TOD Fengyong New Town 3-02 Land Lot Qinxueyuan (寧波TOD奉甬新城3-02地塊沁學園)	Residential	78	78	-	-
	Ningbo TOD Fengyong New Town 3-05 Land Lot Shengyuan (寧波TOD奉甬新城3-05地塊升園)	Residential	61	-	61	-
	Ningbo TOD Fengyong New Town 3-08 Land Lot Yongyuan (寧波TOD奉甬新城3-08地塊雅園)	Residential	73	73	-	-
	Ningbo TOD Fengyong New Town 3-14 Land Lot Yunshang Jiayuan (寧波TOD奉甬新城3-14地塊雲尚嘉園)	Commercial/residential	321	321	-	-
	Ningbo TOD Fengyong New Town 3-18 Land Lot Shuoyuan (寧波TOD奉甬新城3-18地塊碩園)	Commercial/residential	127	-	127	-
	Ningbo TOD Fengyong New Town 4-17 Land Lot Longchen Jingting (寧波TOD奉甬新城4-17地塊龍宸環庭)	Commercial/residential	214	-	214	-
	Ningbo TOD Fengyong New Town 4-22 Land Lot Lanqin Jingting (寧波TOD奉甬新城4-22地塊瀾沁環庭)	Commercial/residential	120	-	120	-
	Ningbo TOD Fengyong New Town 4-23 Land Lot Chiyuan (寧波TOD奉甬新城4-23地塊弛園)	Residential	130	-	130	-
	Ningbo Powerlong Sanjiang Palace (寧波寶龍三江觀邸)	Residential	143	143	-	-
	Ningbo Powerlong Mansion (寧波寶龍世家)	Residential	120	120	-	-
	Ningbo Powerlong Land (寧波寶龍天地)	Commercial	63	63	-	-
	Ningbo Powerlong One Mall (寧波寶龍一城)	Commercial/residential	529	-	529	-
	Ningbo Fenghua Dacheng Road Project (寧波奉化大成路項目)	Commercial/residential	206	-	206	-
	Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	Commercial	351	351	-	-
	Ningbo Jiangbei Powerlong Plaza (寧波江北寶龍廣場)	Commercial/residential	284	93	191	-
	Ningbo Jiangbei Cicheng Huguang Tianyue (寧波江北慈城湖光天樾)	Commercial/residential	105	-	105	-

Province/ municipality	Project	Type	Total GFA (*000 sq.m.)	Completed	GFA under	GFA held for
				GFA development (*000 sq.m.)	development (*000 sq.m.)	future development (*000 sq.m.)
	Ningbo Ninghai Powerlong Land (寧波寧海寶龍天地) ⁽⁴⁾	Commercial/residential	103	–	103	–
	Ningbo Wenchuanggang Project (寧波文創港項目)	Commercial/residential	420	–	420	–
	Ningbo Wujiangkou Jianghuicheng (寧波五江口江匯城)	Commercial/residential	679	–	679	–
	Ningbo Xiangshan Powerlong Land (寧波象山寶龍天地)	Commercial/residential	184	–	184	–
	Ningbo New Long Island Garden (寧波新長島花園)	Residential	221	221	–	–
	Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	Commercial	134	134	–	–
	Ningbo Yuyao Project Land Lot A-1 (寧波余姚項目地塊A-1)	Commercial/residential	125	–	125	–
	Ningbo Yuyao Project Land Lot A-2 (寧波余姚項目地塊A-2)	Commercial/residential	106	106	–	–
	Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	Commercial	394	394	–	–
	Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	Commercial/residential	483	483	–	–
	Hangzhou Donghu City (杭州東湖城)	Residential	279	279	–	–
	Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)	Commercial	193	193	–	–
	Hangzhou Gongshu Powerlong Plaza (杭州拱墅寶龍廣場)	Commercial	200	–	200	–
	Hangzhou Jinnan Powerlong Plaza (杭州錦南寶龍廣場)	Commercial/residential	230	68	162	–
	Hangzhou Tech City Powerlong Plaza (杭州科技城寶龍廣場)	Commercial	344	–	344	–
	Hangzhou Lin'an Baiyuan Jingshe (杭州臨安柏源晶舍)	Commercial/residential	185	–	185	–
	Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場)	Commercial/residential	404	404	–	–
	Hangzhou Lin'an Powerlong Rongxin Xinshidi (杭州臨安寶龍融信新世邸)	Commercial/residential	137	137	–	–
	Hangzhou Lin'an Linqi Yunfu (杭州臨安臨棲雲府)	Residential	86	–	86	–
	Hangzhou Qingshan Lake Powerlong Plaza (杭州青山湖寶龍廣場)	Commercial/residential	501	–	501	–
	Hangzhou Xiasha Powerlong Plaza (杭州下沙寶龍廣場)	Commercial	357	357	–	–
	Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)	Commercial	223	223	–	–
	Hangzhou Yuhang Xingchuangcheng (杭州餘杭星創城)	Commercial/residential	721	–	721	–
	Jinhua Jinyi Powerlong Plaza (金華金義寶龍廣場)	Commercial/residential	602	–	602	–
	Jinhua Lanxi Powerlong Plaza (金華蘭溪寶龍廣場)	Commercial/residential	361	131	230	–
	Jinhua Pan'an Powerlong Land (金華磐安寶龍天地)	Commercial/residential	315	315	–	–
	Jinhua Wuyi Project (金華武義項目)	Residential	204	–	–	204
	Jinhua Yiwu Powerlong Hongxing Tianpo (金華義烏寶龍紅星天鉞)	Commercial/residential	346	346	–	–
	Jinhua Yiwu Meide Powerlong Mansion (金華義烏美的寶龍世家)	Commercial/residential	285	285	–	–
	Jinhua Yiwu Mentha Garden (金華義烏薄荷花園)	Commercial/residential	286	286	–	–
	Jinhua Yiwu Qingkou Powerlong Plaza (金華義烏青口寶龍廣場)	Commercial/residential	301	301	–	–
	Jinhua Yiwu Zhong'an Powerlong Plaza (金華義烏眾安寶龍廣場)	Commercial/residential	212	154	58	–
	Jinhua Yongkang Powerlong Plaza (金華永康寶龍廣場)	Commercial/residential	351	351	–	–
	Shaoxing Keqiao Hangyuefu (紹興柯橋杭越府)	Commercial/residential	383	–	383	–
	Shaoxing Keqiao Longxi Project (紹興柯橋龍禧項目)	Commercial	185	56	129	–
	Shaoxing Keqiao Xinglancheng (紹興柯橋星瀾城)	Commercial/residential	487	–	487	–
	Shaoxing Paojiang Powerlong Plaza (紹興袍江寶龍廣場)	Commercial/residential	571	571	–	–
	Shaoxing Shangyu Cao'e Scenic Area Project (紹興上虞曹娥景區項目)	Commercial/residential	150	–	150	–
	Shaoxing Xinchang Powerlong Guangyu Jinyuanfu (紹興新昌寶龍廣宇錦源府)	Commercial/residential	165	165	–	–
	Shaoxing Zhuji Powerlong Plaza (紹興諸暨寶龍廣場)	Commercial/residential	348	116	232	–
	Shaoxing Zhuji Century Bay (紹興諸暨世紀江灣)	Residential	229	–	229	–
	Shaoxing Pingshui 2020-03 Land Lot Project (紹興平水2020—03地塊項目)	Residential	58	–	58	–
	Shaoxing Pingshui 2020-06 Land Lot Project (紹興平水2020—06地塊項目)	Residential	75	–	75	–
	Wenzhou Emerald World Project (溫州翡翠天地)	Residential	317	–	317	–
	Wenzhou Airport Powerlong Plaza (溫州空港寶龍廣場)	Commercial/residential	480	40	440	–
	Wenzhou Rui'an Jinzishan Project (溫州瑞安巾子山項目)	Commercial/residential	680	–	–	680
	Wenzhou Rui'an Tanghe Shangpin (溫州瑞安塘河上品)	Commercial/residential	396	–	396	–
	Wenzhou Future City No. 1 (溫州未來城壹號) ⁽⁵⁾	Commercial/residential	400	–	400	–
	Wenzhou Cangnan Project (溫州蒼南項目)	Commercial/residential	426	–	–	426

Province/ municipality	Project	Type	Completed GFA			
			Total GFA	GFA under development	GFA held for future development	GFA held for future development
			('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
	Taizhou Jiaojiang Powerlong City (台州椒江寶龍城)	Commercial/residential	336	–	336	–
	Taizhou Duqiao Powerlong Plaza (台州杜橋寶龍廣場)	Commercial/residential	281	–	281	–
	Taizhou Luqiao Project Land Lot No. 5 (台州路橋項目地塊5)	Commercial/residential	170	–	170	–
	Taizhou Luqiao Project Land Lot No. 6 (台州路橋項目地塊6)	Commercial/residential	37	–	37	–
	Taizhou Tiantai Yuehu Lanting (台州天臺樾湖蘭庭)	Residential	88	–	88	–
	Taizhou Wenling Powerlong Plaza (台州溫嶺寶龍廣場)	Commercial/residential	370	109	261	–
	Taizhou Wenling Chengxi Zhonghua Road Project (台州溫嶺城西中華路項目)	Residential	41	–	–	41
	Taizhou Wenling Daxi Town Project Phase 2 (台州溫嶺大溪鎮項目二期)	Commercial/ residential	193	–	–	193
	Taizhou Wenling Longyu Huating (台州溫嶺龍譽華庭)	Residential	184	–	184	–
	Taizhou Wenling City XQ070120 Project (台州溫嶺市XQ070120項目) ⁽⁶⁾	Residential	167	–	–	167
	Taizhou Wenling City XQ070123 Project (台州溫嶺市XQ070123項目) ⁽⁶⁾	Residential	50	–	–	50
	Zhoushan Powerlong Plaza (舟山寶龍廣場)	Commercial/residential	335	78	257	–
	Zhoushan Dinghai Powerlong Land (舟山定海寶龍天地)	Commercial/residential	85	85	–	–
	Zhoushan Dinghai Cuican Mansion (舟山定海璀璨世家)	Commercial/residential	89	–	89	–
	Zhoushan Putuo Powerlong Donghaifu (舟山普陀寶龍東海府)	Commercial/residential	55	–	55	–
	Zhoushan Putuo Powerlong Land (舟山普陀寶龍天地)	Commercial/residential	251	215	36	–
	Huzhou Wuxing Powerlong Xuhuicheng (湖州吳興寶龍旭輝城)	Commercial/residential	309	–	309	–
	Huzhou Changxing Powerlong Mansion (湖州長興寶龍世家)	Commercial/residential	190	190	–	–
	Huzhou Changxing Powerlong Mansion Phase 2 (湖州長興寶龍世家二期)	Residential	160	66	94	–
	Jiaxing Haining Powerlong Mansion (嘉興海寧寶龍世家)	Residential	119	119	–	–
	Jiaxing Pinghu Xincang Project (嘉興平湖新倉項目)	Residential	148	–	148	–
Sub-total	87	–	21,951	8,266	11,924	1,761
Jiangsu Province						
	Nanjing Powerlong Land (南京寶龍天地)	Commercial	68	–	68	–
	Nanjing Fenghui Project Phase 1 (南京鳳匯項目一期)	Commercial/residential	166	–	166	–
	Nanjing Fenghui Project Phase 2 (南京鳳匯項目二期)	Commercial/residential	160	–	160	–
	Nanjing Gaochun Powerlong Plaza (南京高淳寶龍廣場)	Commercial/residential	235	132	103	–
	Nanjing Gaochun Powerlong Plaza Phase 2 (南京高淳寶龍廣場二期)	Commercial/residential	144	–	144	–
	Nanjing Jiangbei Powerlong City (南京江北寶龍城)	Commercial	325	–	–	325
	Nanjing Jiangning Powerlong Plaza (南京江寧寶龍廣場)	Commercial	232	3	53	176
	Nanjing Jiangning Jinmaoyue (南京江寧金茂悅)	Residential	288	100	188	–
	Nanjing Liuhe Powerlong Plaza (南京六合寶龍廣場)	Commercial/residential	393	–	137	256
	Nanjing Xuanwu Powerlong City (南京玄武寶龍城)	Commercial/residential	579	–	579	–
	Nanjing Yaohua New City Project (南京堯化新城項目)	Commercial	332	–	–	332
	Nanjing Qixia Fenghui Center (南京棲霞峯匯中心)	Commercial	384	–	384	–
	Nanjing Qixia Xinhengwei Project (南京棲霞新生圩項目)	Commercial/ residential	296	–	296	–
	Wuxi Powerlong Plaza (無錫寶龍廣場)	Commercial	287	287	–	–
	Wuxi Powerlong Mansion (無錫寶龍世家)	Commercial/residential	445	247	152	46
	Wuxi Liangxi Project (無錫梁溪項目)	Residential	123	–	123	–

Province/ municipality	Project	Type	GFA			
			Total GFA ('000 sq.m.)	Completed GFA development ('000 sq.m.)	GFA under development ('000 sq.m.)	GFA held for future development ('000 sq.m.)
	Wuxi Xinwu Powerlong Plaza (無錫新吳寶龍廣場)	Commercial	314	–	314	–
	Wuxi Yixing Project Land Lot A (無錫宜興項目地塊A)	Commercial/residential	214	39	175	–
	Wuxi Yixing Project Land Lots C-G (無錫宜興項目地塊C-G)	Commercial/residential	426	264	162	–
	Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	Commercial/residential	346	346	–	–
	Wuxi Xuxiang Project (無錫徐巷項目)	Residential	109	–	–	109
	Xuzhou Powerlong Palace (徐州寶龍觀邸)	Residential	154	154	–	–
	Xuzhou Fengxian Powerlong Mansion (徐州豐縣寶龍世家)	Commercial/residential	622	–	622	–
	Xuzhou Fenghuang Yuanzhe (徐州鳳凰源著)	Residential	124	124	–	–
	Xuzhou Pizhou Powerlong Plaza (徐州邳州寶龍廣場) ⁽³⁾	Commercial/residential	917	–	–	917
	Changzhou Powerlong Plaza (常州寶龍廣場)	Commercial	1,078	637	312	129
	Changzhou Jinfeng Heming (常州錦鳳合鳴)	Commercial/residential	331	224	107	–
	Changzhou Liyang Project (常州溧陽項目)	Residential	183	–	33	150
	Yancheng Powerlong Plaza (鹽城寶龍廣場)	Commercial	493	493	–	–
	Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	Commercial/residential	466	432	34	–
	Yancheng Tinghu Powerlong Plaza (鹽城亭湖寶龍廣場) ⁽⁷⁾	Commercial/residential	326	–	326	–
	Suzhou Changshu Guli Mingshi Haoting (蘇州常熟古裡名仕豪庭)	Residential	179	179	–	–
	Suzhou Changshu Mocheng Project (蘇州常熟莫城項目)	Commercial/ residential	235	–	235	–
	Suzhou Changshu Xinzhuang Guanxi Heyuan (蘇州常熟辛莊觀溪和園)	Residential	191	191	–	–
	Suzhou Bay Tianpo (蘇州蘇灣天铂)	Residential	367	367	–	–
	Suzhou Taicang Powerlong Land (蘇州太倉寶龍天地)	Commercial	289	267	–	22
	Suzhou Zhangjiagang Project (蘇州張家港項目)	Residential	149	–	149	–
	Zhenjiang Powerlong International Garden (鎮江寶龍國際花園)	Residential	382	382	–	–
	Zhenjiang Yuefu (鎮江樾府)	Commercial/residential	238	84	154	–
	Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	Commercial	245	245	–	–
	Yangzhou Powerlong Plaza (揚州寶龍廣場)	Commercial	231	231	–	–
	Yangzhou Guangling Powerlong Plaza (揚州廣陵寶龍廣場)	Commercial/residential	210	–	42	168
	Yangzhou Canal Powerlong Palace (揚州運河寶龍觀邸)	Commercial/residential	273	–	273	–
	Suqian Powerlong Plaza (宿遷寶龍廣場)	Commercial	486	486	–	–
	Nantong Tianpo Garden (南通天铂花園)	Commercial/residential	470	270	200	–
	Huai'an Powerlong Mansion (淮安寶龍世家)	Commercial/residential	269	269	–	–
	Huai'an Powerlong Land (淮安寶龍天地)	Commercial	149	59	90	–
	Taizhou Powerlong Mansion (泰州寶龍世家)	Residential	296	–	296	–
Sub-total	48	–	15,219	6,512	6,077	2,630
Anhui Province	Fuyang Powerlong Plaza (阜陽寶龍廣場) ⁽³⁾	Commercial	758	758	–	–
	Xuancheng Wanlinghu Project (宣城宛陵湖項目)	Commercial/ residential	520	–	48	472
	Bengbu Powerlong Plaza (蚌埠寶龍廣場)	Commercial	512	512	–	–
	Bozhou Nanhu Project (亳州南湖項目) ⁽³⁾	Commercial/ residential	471	–	291	180
	Chuzhou Tianchang Project (滁州天長項目)	Commercial/ residential	396	–	269	127
	Suzhou Lingbi Powerlong Mansion (宿州靈璧寶龍世家)	Residential	243	–	87	156
Sub-total	6	–	2,900	1,270	695	935
Guangdong Province	Zhuhai Beiwei Powerlong Plaza (珠海北圍寶龍廣場)	Commercial/residential	508	–	429	79
	Zhuhai Gaoxin Powerlong City (珠海高新寶龍城)	Commercial/residential	391	160	165	66
	Zhuhai Jinwan Powerlong City (珠海金灣寶龍城)	Commercial/residential	566	–	250	316
	Zhongsan Qijiang Project (中山岐江項目)	Commercial/ residential	603	–	357	246
	Foshan Dali Project (佛山大瀝項目) ⁽³⁾	Commercial/ residential	524	–	–	524
Sub-total	5	–	2,592	160	1,201	1,231

Province/ municipality	Project	Type	Completed GFA			
			Total GFA (*000 sq.m.)	GFA under development (*000 sq.m.)	GFA held for future development (*000 sq.m.)	GFA held for future development (*000 sq.m.)
Shandong Province	Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	Commercial	778	778	-	-
	Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	Commercial	618	618	-	-
	Qingdao Jimo Emerald Garden (青島即墨翡翠花園)	Commercial/residential	272	6	266	-
	Qingdao Jiaozhou Powerlong Plaza (青島膠州寶龍廣場) ⁽³⁾	Commercial	335	335	-	-
	Qingdao Jiaozhou Powerlong Land (青島膠州寶龍天地)	Commercial	284	164	-	120
	Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	Commercial	369	369	-	-
	Yantai Haiyang Powerlong Mansion (煙台海陽寶龍世家)	Commercial/residential	596	69	131	396
	Yantai Haiyang Powerlong Land (煙台海陽寶龍天地)	Commercial	408	139	-	269
	Yantai Laishan Powerlong Plaza (煙台萊山寶龍廣場)	Commercial	169	169	-	-
	Yantai Penglai Powerlong Plaza (煙台蓬萊寶龍廣場)	Commercial	347	347	-	-
	Dongying Powerlong Land (東營寶龍天地)	Commercial	455	263	-	192
	Tai'an Powerlong Plaza (泰安寶龍廣場)	Commercial	273	273	-	-
Sub-total	12	-	4,904	3,530	397	977
Tianjin Municipality	Tianjin North Green Area Project (天津北綠地項目) ⁽³⁾	Commercial	110	-	-	110
	Tianjin Beitang Jiuli Qingchuan (天津北塘九裡晴川)	Residential	262	142	120	-
	Tianjin Binhai Powerlong Plaza (天津濱海寶龍廣場)	Commercial	776	776	-	-
	Tianjin Yujiapu Powerlong Plaza (天津於家堡寶龍廣場)	Commercial	357	357	-	-
	Tianjin Yujing City (天津愉景城)	Residential	295	198	97	-
	Sub-total	5	-	1,800	1,473	217
Henan Province	Luoyang Powerlong Plaza (洛陽寶龍廣場)	Commercial	1,365	1,358	7	-
	Luoyang Longmen Road Project (洛陽龍門路項目)	Commercial/ residential	163	-	-	163
	Luoyang Wangchunmen Street Project (洛陽望春門街項目)	Commercial/ residential	123	-	-	123
	Xinxiang Powerlong Plaza (新鄉寶龍廣場)	Commercial	1,231	1,093	138	-
	Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	Commercial	252	252	-	-
Sub-total	5	-	3,134	2,703	145	286
Jiangxi Province	Nanchang Hi-tech Project (南昌高新項目)	Commercial/residential	803	-	803	-
	Nanchang Jiulonghu Project (南昌九龍湖項目)	Commercial/residential	1,013	-	1,013	-
	Jingdezhen Powerlong Plaza (景德鎮寶龍廣場)	Commercial/residential	514	-	514	-
Sub-total	3	-	2,330	-	2,330	-
Hubei Province	Wuhan Powerlong Plaza (武漢寶龍廣場)	Commercial/residential	383	-	383	-
	Wuhan Caidian Sino-French Project (武漢蔡甸中法項目)	Commercial/ residential	349	-	148	201
	Wuhan Qiaokou Project (武漢硤口項目) ⁽³⁾	Commercial	291	-	291	-
Sub-total	3	-	1,023	-	822	201
Chongqing Municipality	Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	Commercial	621	618	3	-
Sub-total	1	-	621	618	3	-
Sichuan Province	Bazhong Powerlong Pavilion (巴中寶龍名邸) ⁽³⁾	Residential	178	178	-	-
Sub-total	1	-	178	178	-	-
Fujian Province	Quanzhou Anhai Powerlong Haoyuan (泉州安溪寶龍豪宅苑)	Residential	54	54	-	-
	Quanzhou Anxi Powerlong Plaza (泉州安溪寶龍廣場)	Commercial	332	332	-	-
	Quanzhou Jinjiang Powerlong Plaza (泉州晉江寶龍廣場)	Commercial	771	771	-	-
	Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	Residential	144	144	-	-
	Quanzhou Jinjiang Powerlong Mansion (泉州晉江寶龍世家)	Commercial/residential	159	159	-	-
	Quanzhou Jinjiang Xintang Powerlong Mansion (泉州晉江新塘寶龍世家)	Commercial/residential	191	191	-	-
	Quanzhou Jinjiang Yuncheng (泉州晉江雲城)	Commercial/residential	346	140	206	-
	Quanzhou Taishang Powerlong Plaza (泉州台商寶龍廣場)	Commercial/residential	672	124	548	-
	Quanzhou Yongchun Powerlong Plaza (泉州永春寶龍廣場)	Commercial/residential	383	383	-	-
	Quanzhou Luojiang District Majia Town Project No. 1 Land Lot (泉州洛江區馬甲鎮項目1號地塊)	Residential	139	-	-	139
	Quanzhou Luojiang District Majia Town Project No. 2 Land Lot (泉州洛江區馬甲鎮項目2號地塊)	Residential	154	-	-	154
	Xiamen Powerlong One Mall (廈門寶龍一城)	Commercial	383	321	62	-

Province/ municipality	Project	Type	GFA			
			Total GFA (^{'000} sq.m.)	Completed GFA development (^{'000} sq.m.)	GFA under development (^{'000} sq.m.)	GFA held for future development (^{'000} sq.m.)
	Xiamen Powerlong Lakeside Mansion (廈門寶龍禦湖官邸)	Commercial/residential	78	78	-	-
	Xiamen Tong'an Powerlong Plaza (廈門同安寶龍廣場)	Commercial	638	-	638	-
	Zhangzhou Powerlong General Avenue No. 1 (漳州寶龍將軍一號)	Residential	111	111	-	-
	Zhangzhou Longwen Powerlong Plaza (漳州龍文寶龍廣場)	Commercial/residential	222	222	-	-
	Zhangzhou Changtai A2 Land Lot Project (漳州長泰A2地塊項目)	Residential	90	-	-	90
	Zhangzhou Changtai Health Town (漳州長泰健康小鎮)	Commercial/residential	380	-	-	380
	Fuzhou Powerlong Plaza (福州寶龍廣場)	Commercial	228	228	-	-
	Fuzhou Lianjiang Project (福州連江項目)	Residential	190	-	190	-
	Fuzhou Lianjiang Project Phase 2 (福州連江項目二期)	Commercial/ residential	87	-	-	87
	Fuzhou Yongtai Powerlong Mansion (福州永泰寶龍世家)	Residential	124	-	124	-
	Fuzhou Yongtai Phase 2 Project (福州永泰二期項目) ⁽³⁾	Commercial/ residential	175	-	-	175
	Ningde Fuding Powerlong Mansion Land Lot A (寧德福鼎寶龍世家地塊A)	Commercial/residential	179	176	3	-
	Ningde Fuding Powerlong Mansion Land Lot B (寧德福鼎寶龍世家地塊B)	Commercial/residential	203	153	50	-
	Nanping Wuyishan Powerlong Plaza (南平武夷山寶龍廣場)	Commercial/residential	205	-	205	-
Sub-total	26	-	6,638	3,587	2,026	1,025
Hainan Province	Haikou Global 100 Powerlong City (海口環球100寶龍城)	Commercial/residential	2,059	1,007	145	907
Sub-total	1	-	2,059	1,007	145	907
Total	220	-	68,566	32,046	26,457	10,063

Notes:

- (1) GFA figures in the above table may not correspond to GFA figures in the main body of this offering memorandum due to rounding and classification.
- (2) Our properties in Mingfa Commercial Plaza are not included in this table as the properties were not developed by us. We acquired these properties on December 31, 2012.
- (3) We have not obtained all or part of the land use rights certificates for these projects.
- (4) We have transferred all of the equity interest we held in the project company which developed this project in early 2022 but have not registered the equity transfer with relevant local administration authority for market regulation.
- (5) We have transferred all of the equity interest we held in the project company which developed this project and have registered the equity transfer with relevant local administration authority for market regulation in March 2022.
- (6) We have transferred all of the equity interest we held in the project company which developed this project in April 2022 but have not registered the equity transfer with relevant local administration authority for market regulation.
- (7) We have transferred all of the equity interest we held in the project company which developed this project in December 2021 but have not registered the equity transfer with relevant local administration authority for market regulation.

The table below sets forth the total GFA held for lease and other relevant information in our projects as of December 31, 2021.

Project	GFA HELD FOR LEASE ⁽¹⁾			Total (‘000 sq.m.)
	Completed GFA ⁽²⁾	GFA under development	GFA held for future development	
	(‘000 sq.m.)	(‘000 sq.m.)	(‘000 sq.m.)	
Fujian Province				
Xiamen Powerlong One Mall (廈門寶龍一城)	231	62	—	293
Quanzhou Anxi Powerlong Plaza (泉州安溪寶龍廣場)	92	—	—	92
Quanzhou Jinjiang Powerlong Plaza (泉州晉江寶龍廣場)	239	—	—	239
Fuzhou Powerlong Plaza (福州寶龍廣場)	131	—	—	131
Quanzhou Taishang Powerlong Plaza City (泉州台商寶龍廣場)	125	67	—	192
Zhangzhou Longwen Powerlong Plaza (漳州龍文寶龍廣場)	52	—	—	52
Xiamen Tong’an Powerlong Plaza (廈門同安寶龍廣場)	—	121	—	121
Zhangzhou Changtai Health Town Project (漳州長泰健康小鎮項目)	—	—	84	84
Nanping Wuyishan Powerlong Plaza (南平武夷山寶龍廣場)	—	68	—	68
Fuzhou Yongtai Project Phase II (福州永泰二期項目)	—	—	61	61
Shanghai Municipality				
Shanghai Qibao Powerlong City (上海七寶寶龍城)	141	—	—	141
Shanghai Hongqiao Powerlong Land (上海虹橋寶龍天地)	71	—	—	71
Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	74	—	—	74
Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	95	—	—	95
Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	22	—	—	22
Shanghai Baoyang Powerlong Plaza (上海寶楊寶龍廣場)	158	—	—	158
Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	92	—	—	92
Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	42	—	—	42
Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	102	—	—	102
Shanghai Wujing Powerlong Plaza (上海吳淞寶龍廣場)	27	—	—	27
Shanghai Jiuting Centre (上海九亭中心)	127	—	—	127
Shanghai Yangpu District Huanchuang Centre (上海楊浦環創中心)	—	134	—	134
Shanghai Wujing Powerlong Plaza Phase II (上海吳淞寶龍廣場二期)	46	—	—	46
Shanghai Fengxian Situan Powerlong Plaza (上海奉賢四團寶龍廣場)	—	—	62	62
Shanghai Maqiao Longhu Tianlang (上海馬橋龍湖天琅)	98	—	—	98
Shanghai Jiading Powerlong Land (上海嘉定寶龍天地)	—	109	—	109
Shanghai Fengfa Powerlong Plaza (上海奉發寶龍廣場)	—	73	—	73
Jiangsu Province				
Suqian Powerlong Plaza (宿遷寶龍廣場)	486	—	—	486

Project	GFA HELD FOR LEASE ⁽¹⁾			Total (‘000 sq.m.)
	Completed GFA ⁽²⁾	GFA under development	GFA held for future development	
	(‘000 sq.m.)	(‘000 sq.m.)	(‘000 sq.m.)	
Changzhou Powerlong Plaza (常州寶龍廣場)	132	—	23	155
Yangzhou Powerlong Plaza (揚州寶龍廣場)	61	—	—	61
Wuxi Wangzhuang Powerlong Plaza (無錫旺莊寶龍廣場)	156	—	—	156
Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	122	—	—	122
Huai'an Powerlong Land (淮安寶龍天地)	12	13	—	25
Yancheng Powerlong Plaza (鹽城寶龍廣場)	190	—	—	190
Suzhou Taicang Powerlong Land (蘇州太倉寶龍天地)	64	—	—	64
Nantong Tianbo Garden (南通天鉞花園)	23	149	—	172
Nanjing Gaochun Powerlong Plaza (南京高淳寶龍廣場)	73	—	—	73
Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	108	—	—	108
Zhenjiang Yuefu (鎮江樾府)	—	76	—	76
Wuxi Xinwu Powerlong Plaza (無錫新吳寶龍廣場)	—	86	—	86
Suzhou Bay Tianbo (蘇州蘇州灣天鉞)	361	—	—	361
Wuxi Powerlong Mansion (無錫寶龍世家)	—	—	10	10
Yancheng Tinghuqu Powerlong Plaza (鹽城亭湖寶龍廣場)	—	86	—	86
Nanjing Powerlong Land (南京寶龍天地)	—	31	—	31
Nanjing Gaochun Powerlong Plaza Phase 2 (南京高淳寶龍廣場二期)	—	16	—	16
Nanjing Jiangbei Powerlong City (南京江北寶龍城)	—	—	147	147
Nanjing Jiangning Powerlong Plaza (南京江寧寶龍廣場)	—	—	120	120
Nanjing Liuhe Powerlong Plaza (南京六合寶龍廣場)	—	—	95	95
Nanjing Qixia Fenghui Center (南京栖霞峰匯中心)	—	80	—	80
Nanjing Xuanwu Powerlong City (南京玄武寶龍城)	—	—	154	154
Nanjing Yaohua New City Commercial and Office Land Lot Project (南京堯化新城商辦地塊項目)	—	—	130	130
Wuxi Yixing Project Land Lots C-G (無錫宜興項目地塊C-G)	61	27	—	88
Changzhou Jinfeng Heming (常州錦鳳合鳴)	—	32	—	32
Yangzhou Guangling Powerlong Plaza (揚州廣陵寶龍廣場)	—	—	123	123
Yangzhou Canal Powerlong Palace (揚州運河寶龍觀邸)	—	35	—	35
Xuzhou Pizhou Powerlong Plaza (徐州邳州寶龍廣場)	—	—	174	174
Zhejiang Province				
Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)	30	—	—	30
Hangzhou Xiasha Powerlong Plaza (杭州下沙寶龍廣場)	25	—	—	25
Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	188	—	—	188

Project	GFA HELD FOR LEASE ⁽¹⁾			Total (‘000 sq.m.)
	Completed GFA ⁽²⁾	GFA under development	GFA held for future development	
	(‘000 sq.m.)	(‘000 sq.m.)	(‘000 sq.m.)	
Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)	64	—	—	64
Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	39	—	—	39
Hangzhou Lin’an Powerlong Plaza (杭州臨安寶龍廣場)	57	—	—	57
Nanjing Qixia Xinchengyu Project (南京栖霞新生圩項目)	—	—	137	137
Suzhou Changshu Mocheng Project (蘇州常熟莫城項目)	—	58	—	58
Hangzhou Gongshu Powerlong Plaza (杭州拱墅寶龍廣場)	—	72	—	72
Ningbo Powerlong Land (寧波寶龍天地)	20	—	—	20
Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	51	—	—	51
Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	103	—	—	103
Zhoushan Dinghai Powerlong Land (舟山定海寶龍天地)	26	—	—	26
Zhoushan Powerlong Plaza (舟山寶龍廣場)	56	118	—	174
Shaoxing Paojiang Powerlong Plaza (紹興袍江寶龍廣場)	41	—	—	41
Shaoxing Zhuji Powerlong Plaza (紹興諸暨寶龍廣場)	116	—	—	116
Ningbo Powerlong One Mall (寧波寶龍一城)	—	287	—	287
Wenzhou Airport Powerlong Plaza (溫州空港寶龍廣場)	30	—	—	30
Hangzhou Qingshanhu Powerlong Plaza (杭州青山湖寶龍廣場)	—	147	—	147
Hangzhou Lin’an Boyanjing She (杭州臨安柏源晶舍)	—	17	—	17
Hangzhou Lin’an Powerlong Rongxi Xinshidi (杭州臨安寶龍融信新世邸)	16	—	—	16
Taizhou Jiaojiang Powerlong City (台州椒江寶龍城)	—	184	—	184
Taizhou Luqiao Project Land Lot No. 5 (台州路橋項目地塊5)	—	10	—	10
Taizhou Wenling Powerlong Plaza (台州溫嶺寶龍廣場)	109	4	—	113
Zhoushan Putuo Powerlong Land (舟山普陀寶龍天地)	39	36	—	76
Hangzhou Jinan Powerlong Plaza (杭州錦南寶龍廣場)	68	—	—	68
Hangzhou Tech City Powerlong Plaza (杭州科技城寶龍廣場)	—	193	—	193
Ningbo TOD Fengyong New Town 3-14 Land Lot Yunshang Jiayuan (寧波TOD奉甬新城3-14地塊雲尚嘉園)	69	—	—	69
Ningbo Jiangbei Powerlong Land (寧波江北寶龍天地)	—	66	—	66
Ningbo Ninghai Powerlong Land (寧波寧海寶龍天地)	—	23	—	23
Ningbo Wujiangkou Jianghuicheng (寧波五江口江匯城)	—	151	—	151
Jinhua Lanxi Powerlong Plaza (金華蘭溪寶龍廣場)	131	—	—	131
Jinhua Yongkang Powerlong Plaza (金華永康寶龍廣場)	82	—	—	82
Huzhou Wuxing Powerlong Xuhuicheng (湖州吳興寶龍旭輝城)	—	6	—	6

Project	GFA HELD FOR LEASE ⁽¹⁾			Total (‘000 sq.m.)
	Completed GFA ⁽²⁾	GFA under development	GFA held for future development	
	(‘000 sq.m.)	(‘000 sq.m.)	(‘000 sq.m.)	
Hangzhou Yuhang Xingchuangcheng (杭州餘杭星創城)	—	233	—	233
Ningbo Wenchuanggang Project (寧波文創港項目)	—	73	—	73
Ningbo Xiangshan Powerlong Land (寧波象山寶龍天地)	—	12	—	12
Ningbo Yuyao Project Land Lot A-1 (寧波余姚項目地塊A-1)	—	32	—	32
Ningbo Yuyao Project Land Lot A-1 (寧波余姚項目地塊A-2)	37	—	—	37
Jinhua Jinyi Powerlong Plaza (金華金義寶龍廣場)	—	111	—	111
Jinhua Yiwu Powerlong Hongxing Tianpo (金華義烏寶龍紅星天鉞)	86	—	—	86
Jinhua Yiwu Zhong’an Powerlong Plaza (金華義烏眾安寶龍廣場)	—	58	—	58
Shaoxing Keqiao Longxi Project (紹興柯橋龍禧項目)	—	83	—	83
Shaoxing Keqiao Xinglancheng (紹興柯橋星瀾城)	—	132	—	132
Wenzhou Rui’an Jinzishan Project (溫州瑞安巾子山項目)	—	—	103	103
Jinhua Pan’an Powerlong Land (金華磐安寶龍天地)	74	—	—	74
Wenzhou Cangnan Project (溫州蒼南項目)	—	—	97	97
Anhui Province				
Fuyang Powerlong Plaza (阜陽寶龍廣場)	174	—	—	174
Bengbu Powerlong Plaza (蚌埠寶龍廣場)	238	—	—	238
Xuancheng Wanninghu Project (宣城宛陵湖項目)	—	—	109	109
Chuzhou Tianchang Project (滁州天長項目)	—	52	75	127
Haozhou Nanhu Project (亳州南湖項目)	—	90	—	90
Jiangxi Province				
Nanchang Hi-tech Project (南昌高新項目)	—	187	—	187
Nanchang Jiulonghu Project (南昌九龍湖項目)	—	362	—	362
Jingdezhen Powerlong Plaza (景德鎮寶龍廣場)	—	92	—	92
Hubei Province				
Wuhan Powerlong Plaza (武漢寶龍廣場)	—	117	—	117
Wuhan Qiaokou Project (武漢橋口項目)	—	148	—	148
Wuhan Caidian China-France Project (武漢蔡甸中法項目)	—	136	—	136
Tianjin Municipality				
Tianjin Yujiapu Powerlong Plaza (天津于家堡寶龍廣場)	46	—	—	46
Tianjin North Green Area Project (天津北綠地項目)	—	—	100	100
Tianjin Binhai Powerlong Plaza (天津濱海寶龍廣場)	53	—	—	53
Shandong Province				
Dongying Powerlong Plaza (東營寶龍廣場)	—	—	82	82
Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	167	—	—	167

Project	GFA HELD FOR LEASE ⁽¹⁾			Total (‘000 sq.m.)
	Completed GFA ⁽²⁾	GFA under development	GFA held for future development	
	(‘000 sq.m.)	(‘000 sq.m.)	(‘000 sq.m.)	
Tai’an Powerlong Plaza (泰安寶龍廣場)	81	—	—	81
Yantai Haiyang Powerlong Land (煙臺海陽寶龍天地)	16	—	—	16
Yantai Laishan Powerlong Plaza (煙臺萊山寶龍廣場)	51	—	—	51
Yantai Penglai Powerlong Plaza (煙臺蓬萊寶龍廣場)	141	—	—	141
Qingdao Jiaozhou Powerlong Plaza (青島膠州寶龍廣場)	76	—	—	76
Qingdao Jiaozhou Powerlong Land (青島膠州寶龍天地)	28	—	—	28
Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	373	—	—	373
Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	200	—	—	200
Henan Province				
Xinxiang Powerlong Plaza (新鄉寶龍廣場)	129	54	—	184
Luoyang Powerlong Plaza (洛陽寶龍廣場)	209	—	—	209
Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	139	—	—	139
Luoyang Longmenlu Land Lot Project (洛陽龍門路地塊項目)	—	—	1	1
Chongqing Municipality				
Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	97	—	—	97
Hainan Province				
Haikou Global 100 Powerlong City (海口環球100寶龍城)	—	4	21	25
Guangdong Province				
Zhuhai Beiwei Powerlong Plaza (珠海北圍寶龍廣場)	—	87	79	166
Zhuhai Gaoxin Powerlong City (珠海高新寶龍城)	147	7	30	184
Zhuhai Jinwan Powerlong City (珠海金灣寶龍城)	—	80	92	172
Zhongshan Qishan Project (中山岐山項目)	—	—	100	100
Foshan Dali Project (佛山大瀝項目)	—	—	90	90
Total	7,745	5,072	1,946	14,763

Notes:

(1) GFA figures in the above table may not correspond to GFA figures in the main body of this offering memorandum due to rounding and classification.

(2) GFA figures are inclusive of GFA in respect of car parking spaces.

NEWLY ACQUIRED LAND

For details of the newly acquired land after December 31, 2021, please refer to “Recent Developments — Acquisition of Land Use Rights to Land Parcels in the PRC” for details.

PROPERTY DEVELOPMENT

Our business operations primarily involve the development and operation of high-quality, large-scale, integrated commercial and residential complexes targeting retail property tenants and buyers. We also develop and sell quality residential properties targeting individual property buyers. We currently have operations in a number of cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province, Anhui Province, Zhejiang Province, Hainan Province, Sichuan Province, Guangdong Province, Hubei Province and Xiangxi Province, as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality. Our projects typically comprise integrated commercial and residential complexes. In certain selected cities, depending on location and the expected market demand, we may also include high-quality hotels or large-scale indoor amusement parks in our projects. We will continue to expand our business in the regions in which we currently operate as well as strategically expand into selected cities in other regions in China when opportunities arise.

PROJECT DEVELOPMENT PROCESS

City and Site Selection

We review cities and sites in China to identify potential development opportunities. Our board, our investment development center, our investment decision committee and certain senior management personnel are actively involved in the city and site selection process and closely follow our established site and city selection guidelines. Our investment development center consists of our market research and business development personnel and our investment decision committee consists of certain members of our board and senior management. Our directors and senior management personnel involved in city and site selection, including Hoi Kin Hong and Hoi Wa Fong have extensive experience in the PRC real estate industry. Our current projects are chosen after a thorough screening process comprising numerous site visits and thorough market research and analysis. Prior to purchasing a parcel of land, we collect all relevant information regarding the potential acquisition opportunity and conduct preliminary feasibility studies and market research to evaluate the potential risk and return of the investment, potential property demand in that area, preferences of the target customer groups and potential competition from other property developers in the vicinity. For our market research and analysis, we typically obtain information from research reports produced by independent third party market researchers and data compiled internally by our investment development division through their own research. We also rely on data extracted from official government publications and other publications produced by relevant industry associations.

Before we decide whether to expand into a city or acquire a site, we consider the compatibility of the acquisition opportunity with our overall investment strategy and objectives. We then draw up an initial project development blue print and conduct a preliminary feasibility study. If we are satisfied with the result of the feasibility study, we will continue with our due diligence investigations and conduct more detailed analysis of the acquisition. If the due diligence result is satisfactory, we will prepare a detailed project design and investment return analysis. This will then be passed to our investment development center for their review in preparation of a further feasibility study report. This report is submitted to our investment decision committee for final consideration and approval. We will proceed with the acquisition if we conclude from our evaluation procedures that a particular site has good development potential and an acceptable risk profile. We believe all these pre-purchase measures help us to acquire land prudently and develop our projects with a clear market positioning from the beginning. We have formulated a set of criteria in our city selection process, including:

- size and population of the city;
- general economic development;
- purchasing power of the residents;
- urban planning and development;
- local government administrative efficiency and service attitude;
- anticipated demand for private commercial and residential properties;

- future land availability; and
- overall competitive landscape.

We consider the following factors for site selection:

- site area and suitability for large-scale integrated commercial and residential development;
- location within the city;
- neighboring environment and public amenities such as transport;
- consumer behavior of residents and their way of life;
- infrastructure available or to be made available by the local government;
- government planning for the area; and
- overall cost structure of the potential development.

We believe the most important factor in our decision to undertake a property project investment is the relative land acquisition costs to expected selling prices and expected rental income to be derived from our tenants.

Land Acquisition

Under current PRC laws and regulations, land use rights for property development must be granted by the relevant governmental authorities via public tender, auction or listing-for-sale. Listing-for-sale is where the grantor issues a listing-for-sale announcement specifying a set of land grant conditions. The conditions will be listed for a period within which bidders can make payment applications. The successful bidder to be granted the land will be announced at the end of the listing period. In an acquisition of land by tender, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal in deciding to whom to grant the land use rights. Grantees of land use rights may, however, dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the land grant contracts and relevant laws and regulations. In 2019, 2020 and 2021, we obtained most of our land through public tenders and listings-for-sale.

As a property developer and operator focusing on development and operation of high-quality, large-scale, integrated retail and residential complexes, we believe that acquiring land at competitive price is critical to our overall development strategy. We currently expect to build up sufficient land reserves to fulfill our development requirements for the next three years on a rolling basis. As of December 31, 2021, we had a total GFA of approximately 32.0 million square meters under development and held for future development. We continually search for land sites that meet our selection criteria.

We typically finance our land acquisition costs with cash generated internally from our operations. However, as we grow larger and gain more access to the debt and equity markets, we may also access the capital market and finance our land acquisition costs with debt and equity instruments.

Project Planning and Design

Once a site is selected, we normally discuss our plans with local governments and provide them with ideas on how the site would be developed in a way that fits into the overall development plan of the city. Our project companies work closely with our internal planning and design department, our external designers and architects in master planning, architectural design, landscape design and interior design. All of these external designers and architects are independent third parties. To ensure that the project design of each of our projects reflects the positioning of our products, our senior management team actively participates during the whole process, especially in the master planning and architectural design of our projects. Upon completion of our properties that are built for rental purposes, we may also render design support and fit-out work for our tenants. However, we do not directly carry out any actual design and fit-out work for our tenants. Our tenants may submit their interior design and fit-out specifications and requirements to us and we will review the submission to determine whether it is in line with the overall style of our project, particularly, the commercial complex. We will assist our tenants to carry out their interior design and fit-out if we approve of their plans.

In determining the design of our projects, we consider:

- the environment surrounding the site;
- local government planning and development requirements or restrictions for the site;
- advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel;
- type of buildings to be developed; and
- requirements and preferences of our principal anchor tenants.

Project Management

We develop and manage our projects through our wholly owned or majority owned regional project companies in the regions in which we have operations. These project companies are responsible for managing the day-to-day operations of each project, including executing plans and standards set by our project management team in the Shanghai headquarters, overseeing construction on site and managing minor design modifications. Our project management team at our Shanghai headquarters is responsible for developing the project development master plan, setting technical and cost specifications, selling prices, overall rental and sale strategies and procurement of the main construction materials and key equipment. Our project management team at our Shanghai headquarters coordinates its efforts with the project companies through detailed project development plans and regular meetings. The project development plans set out allocation of work and performance targets. Any issues or potential problems are identified and discussed at our internal meetings to ensure prompt resolution. In order to ensure that the projects are completed on a timely basis and within the relevant budget, we monitor the progress of the construction of our projects through the monthly planning and progress review to identify areas that may hinder the progress of the projects. In addition, we monitor the cost of our project developments through monthly cost audits to identify any cost items that may exceed the original budget and thus need to be adjusted. We adhere to our budget and design specifications to minimize changes to our overall project plan.

Project Construction

Our construction work is outsourced to independent construction companies, which are selected through a tender process. We typically invite a minimum of three qualified construction companies to bid for a construction project through a tender by invitation process. We have established a selection procedure to choose our construction contractors in order to ensure compliance with our quality and workmanship standards. The selection procedure involves detailed due diligence work on the contractors during the bidding process before offering the construction contract to them. We typically take into account the contractor's professional qualifications, reputation in the industry, track record, past co-operation with us, financial condition and technical abilities. Our tender and bidding committee, which is comprised of certain members of our board and senior management with tender and bidding, budget and cost control experience in the real estate industry, including Hoi Kin Hong, Hoi Wa Fong and Shih Sze Ni Cecilia, carefully evaluates the suitability of each potential contractor and determines who we award the contract to. We also review the qualifications and performance of our construction contractors on an annual basis. Under relevant PRC laws and regulations, construction contractors need to have obtained the relevant construction qualification certificates for the type of construction work they carry out before they can undertake such property construction work.

Under our typical construction contracts, we are primarily responsible for preparatory construction work, including resident relocation (if applicable), utilities connection and road construction. The contractor is typically obliged to undertake the construction work in strict compliance with our designs and requirements, and to provide regular progress reports (typically once a week) which enable us to closely monitor the construction progress. Contract payments may be made on a fixed-price, adjustable-price or costs-plus-remuneration basis. Pre-payments are made seven days prior to the proposed commencement date and are deducted during the course of the construction. Further stage construction payments are made upon completion of each specific stage.

Our contractors are typically responsible for procuring the construction materials to be used in our projects, but in certain circumstances, we may specify the supplier, brand and manufacturer of construction materials in order to ensure that they meet our particular requirements. We typically procure other key materials and equipment such as steel, escalators, lifts and air conditioning units ourselves. In relation to some these self-procured materials and equipment, we enter into a tripartite supply agreement with the construction contractor and the materials supplier, under which we are responsible for negotiating the price and the materials supplier is responsible for supplying the materials to the construction contractor. We generally determine whether to procure the construction materials ourselves depending on whether such materials are key materials in our construction process and whether they contribute to a significant proportion of our construction materials costs (for example, steel, lifts and air conditioning units). Under the construction contracts with our contractors, materials procured by our contractors are subject to approval by our on-site engineer and supervisory engineer before they are used in our projects.

We finance construction costs primarily with internal funds, proceeds from pre-sales and bank borrowings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Quality Control and Construction Supervision

The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. In compliance with PRC laws and regulations, we also engage certified construction supervision companies to monitor certain aspects of our project construction as specified by the relevant laws and regulations. These construction supervision companies conduct quality and safety control checks on all building materials and workmanship on site. They also monitor the progress of construction, work site safety and construction completion schedule. Under relevant PRC laws and regulations, the construction supervision companies are required to obtain supervision qualification certificates in order to be able to carry out supervision work on construction sites during different stages of project construction. Fees paid to the construction supervision companies are determined based on a negotiated percentage of the total construction cost of a project. We typically make monthly payments to the construction supervision company until approximately 80% of the contract sum is paid. The remaining amount is settled within 30 days after the project has passed the requisite completion acceptance inspections.

The contractors are also required to comply with our quality control measures, such as the appointment of on-site project representatives to oversee the progress, quality and safety of the construction work, pre-examination of construction materials before they are used in the project, and on-site inspections.

Our construction contracts generally provide for progressive payments according to milestones reached, until approximately 80% of the total contract sum is paid. We will settle 15% of the remaining contract fee after the project has passed the completion acceptance inspection. We typically withhold the final 5% of the contract fee for a number of years after completion of construction to give additional assurance and cover any contingent expenses incurred as a result of any construction defects. The unused portion of such warranty fee or retention money will be returned to the contractors after the expiration of the warranty period. Warranty periods typically range from one to two years depending on the type of construction. We believe the amount of retention money we withhold under our construction contracts is in line with industry practice and our directors are of the view that such retention money is sufficient to cover the construction warranties we give to our customers under the sale and purchase agreements.

Pre-sales

Like other developers, we pre-sell properties prior to the completion of their construction. According to the Urban Real Estate Law (中華人民共和國城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), property developers must satisfy specific conditions before they can pre-sell their properties under construction. These mandatory conditions include the following:

- the land premium must have been paid in full;
- the land use rights certificate, the construction land use planning permit, construction planning permit and the construction commencement permit must have been obtained;
- at least 25% of the total project development investment must have been made;
- the progress and the expected completion and delivery date of the construction must be properly ascertained; and
- the pre-sale permit must have been obtained.

These mandatory conditions are designed to impose a restriction on developers with respect to when pre-sales can commence. They are predicated on substantial progress in project construction and in capital expenditure. Generally, local governments also require developers and property purchasers to use model sale and purchase agreements prepared under the auspices of the government. Developers must file all sale and purchase agreements with local land resources bureaus and state administrations within 30 days of entering into such contracts.

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有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses 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 engage in the practice of selling completed commodity properties.

Local governments may have additional conditions for commencing pre-sales of properties. According to relevant regulations applicable in Zhengzhou City, Henan Province, we must also satisfy the following conditions before we can commence pre-sale of properties:

- for a building that is no more than six storeys, the main structural construction has been completed with respect to at least two storeys (including basement);
- for a building that is between seven and 12 storeys, the main structural construction has been completed with respect to at least three storeys (including basement);
- for a building that is more than 12 storeys, the main structural construction has been completed with respect to at least five storeys; and
- a special property pre-sale account has been set up at a commercial bank in the place where the project is located, and an agreement in relation to the supervision of pre-sale bank account has been entered into.

In addition, in relation to our project in Shandong Province, we must ensure that all foundation construction work is completed before we may start pre-sale. In relation to our projects in Wuxi City, we must finish the preliminary connection work of utilities (including water and electricity) before we may commence pre-sale.

We had satisfied the above pre-sale conditions before we started pre-selling the properties we developed.

Prior to the commencement of pre-sales, we set up separate pre-sale bank accounts into which all the pre-sale proceeds from a particular project are paid. We make payment to the construction contractors and suppliers of construction materials according to the progress of construction work. We have complied with the relevant statutory requirements for pre-sales, including but not limited to, applying the pre-sale proceeds only towards the settlement of the construction costs and other costs of the relevant projects pre-sold.

In determining the selling prices of our properties, we conduct market research and prepare a selling price recommendation report taking into account the prices of properties with similar quality in the surrounding areas, construction costs, construction schedule and other investment return considerations. The selling price recommendation report is then submitted to our sales and marketing team for review before it is given to our president for final approval. After the property sales process has commenced, we continue to review and make any necessary adjustments to the selling prices based on market conditions, customer reactions and the selling prices of competing properties in the vicinity.

Sales and Marketing

We maintain a centralized marketing and sales force for all of our development projects in China. Our marketing and sales team conducts the sales and marketing activities for most of our property projects but we also employ external professional property sales agencies from time to time such as branch companies of E-House (China) Enterprise Holdings Limited, one of the largest property agency and consulting firms in the PRC and a company listed on the Hong Kong Stock Exchange, to provide sales and marketing services for certain of our property projects. We believe this approach ensures consistency in our promotion and sales strategy on a nationwide basis. Our centralized marketing team formulates our nationwide marketing strategies and coordinates our promotion activities across the cities in which we operate. The majority of our other sales and marketing staff have approximately three years of industry experience and generally have a good understanding of the local real estate market in the cities where we operate. We offer our local sales and marketing personnel performance-based remuneration packages according to the pre-determined sales target we set for each of our projects as well as other qualitative factors. Our sales and marketing staff at our headquarters also receive bonuses determined based on our overall performance in a particular year. Their responsibilities include market research, brand promotion, sales planning, property pricing and sales management. We train and use our own sales force rather than rely on outside brokers and agents for most of our projects. We believe our own dedicated sales representatives are better positioned to serve our customers and to control our property promotion and selling expenses.

Our sales and marketing staff cooperate closely to determine the appropriate advertising and selling plans for a particular project. They also conduct market research, formulate sales, pre-sales and pricing strategies and plan and organize on-site sale and pre-sale procedures. Our promotion channels include billboard advertisements, promotion over the visual and print media, and model display. As part of our marketing strategy, we organize potential customers to visit our completed projects. These showcase visits facilitate the sales of our properties and help to promote our brand.

Our target rental customer group is retail, hospitality, recreation and entertainment services providers and other business entities looking to lease quality premises in attractive locations. We also sell some of our retail properties if we believe such sale will generate better returns on our investment. We target sales of our residential properties at mid to high income individuals.

Most of the customers of our residential properties purchase our properties with mortgage loans. As is customary in the PRC property industry, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our residential and retail properties up until we complete the construction of the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may pay us using mortgage loans from banks. We typically require our purchasers to pay a nominal non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal sale and purchase agreements, they will forfeit such deposits. Upon executing the formal sale and purchase agreements, the purchasers are typically required to pay not less than 30% of the total purchase

price of the property within five days, and the mortgagee banks will pay the remaining balance once the customers have completed the mortgage application procedures. If the purchasers choose to fund their purchases with mortgage loans provided by banks, it is their responsibility to apply for and obtain the mortgage approvals although we will assist them on an as needed basis. The payment terms of sales and pre-sales of properties are substantially identical.

Most of our customers purchase our properties with the assistance of mortgage financing. In accordance with industry practice in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our pre-sold properties. Under the guarantees, we are required to guarantee the timely repayment of the principal and interest amount of the loans by the purchasers. As a guarantor, we are jointly responsible for the payment of the mortgage loan. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers; and (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. See “Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans.”

Delivery and After-sales Services

We endeavor to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects as well as conducting pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project has passed the requisite completion acceptance inspections and obtained the relevant completion acceptance certificate and other government certificates necessary for delivery, our customer service staff will notify our customers in respect of delivery. Our sales and marketing staff, our construction team, together with staff of the property management company, will inspect the properties prior to delivery to ensure quality. If we fail to deliver the property to our customers within 60 days of the date of delivery stipulated in the sale and purchase agreement, we will be liable to pay a monetary penalty of 0.01% of the pre-sale proceeds per day. When we deliver the completed properties to our customers, we are also required to deliver the building quality guarantee certificate (住宅質量保證書). After delivery of completed properties, we are then required to assist our customers with obtaining the property ownership certificates by providing all requisite information to the local titles office for registration.

Our customer service department is responsible for managing our after-sales services. We offer communication channels to our customers for them to provide their feedback and complaints about our products or services, including a telephone hotline and a customer service center at our head office. Our property management companies also handle customer complaints.

Property Management

Prior to delivery of properties to our customers, we engage our wholly owned property management subsidiaries to manage our residential properties and retail properties. After the delivery of properties to customers, with a view to ensuring quality in property management, we continue to engage the same property subsidiaries to provide property management services to customers until the owners of the relevant project developments have become entitled to elect their own property management companies. The services provided by our property management companies include security, property maintenance, gardening and other ancillary services. As of December 31, 2021, owners of all of our developments who had become entitled to elect their property management companies continued to choose our wholly owned property management subsidiaries to manage their properties. As of December 31, 2021, we had not experienced any incident where the owners of our properties terminated the property management services of our property management companies. Our property management companies provide property management services exclusively to properties we have developed.

Our property management companies typically enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party without the prior consent of property owners. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contract

also sets forth the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners. Property management fees are determined with reference to prevailing market rates as decided by the relevant government authorities. The amount of fees payable by each property owner depends on the GFA of their properties under management. Our property management companies issue monthly invoices to the property owners and the management fees are generally settled on a monthly basis.

INVESTMENT PROPERTIES

Our property investment objective is to achieve recurring rental income and long-term capital appreciation through increases in the value of our properties. We expect to realize our investment objective through the development, sale, management and operation of property projects in China. Our policy is to maintain a balanced portfolio of properties developed for sale, consisting of residential properties, and properties held for lease, consisting of retail properties. We intend to hold an increasing proportion of GFA in the retail properties we have developed as investment properties. As we plan to increase our portfolio of investment properties, revenue from, and profit contributions of, investment properties are expected to increase in the future.

Tenants and Leases

We retain ownership of a portion of the GFA of our commercial complexes. We seek to maintain long-term relationships with our anchor tenants and to maintain a good balance in tenant composition. We have a leasing department which is responsible for formulating the strategies for our rental properties, such as conducting research to enhance the tenant profile and trade mix. We seek tenants who can help us to promote the image of our rental properties and we take into account the following factors when selecting potential tenants:

- reputation and general brand recognition;
- goods and services offered;
- track record and past relationship with us; and
- potential level of lease payments.

Our commercial complex leases for smaller tenants are generally for terms of 24 to 36 months with annual rent reviews indexed to the consumer price index or fixed percentage increases and typically require security deposits of two months' rent. If there are anchor tenants taking comparatively large areas at more than one of our commercial complexes, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of between 10 to 20 years with fixed rent provisions. We typically enter into a memorandum of understanding with anchor tenants six months prior to the opening of our commercial complexes.

Rents are typically determined based on prevailing market rates, and the rents payable by our retail tenants sometimes include a turnover component. Rental payments for these leases consist of a monthly base rent and a turnover component calculated annually in accordance with the revenue of a particular tenant for that particular year. We typically require the annual turnover to be verified by an independent third party auditor. Our tenants are generally charged a monthly property management fee. Property management fees are determined according to market conditions and the requirements of the project under management. They are calculated on a per square meter basis and are paid monthly to our property management company. Tenants are also required to pay their own utility charges.

Under the lease agreements we enter into with our tenants, if our tenants terminate the lease without cause before the expiry of the lease term, we are entitled to retain their lease bond and they are liable to pay us a default penalty. Such default penalty is typically equivalent to two months' rent, but may vary depending on the term of the lease. In addition to the default penalty, we are entitled to rely on other contractual remedies available to us to recover all losses we suffered exceeding the default penalty under the lease agreements as a result of the early termination by the tenants.

We regularly monitor the performance of the tenants of our retail complexes. We carry out site inspections to inspect the day-to-day operations of our tenants. We also have service desks in our retail

complexes to handle suggestions or complaints from our customers and we liaise with local government consumer associations to gain customer feed back on our tenants. In addition, we hold meetings from time to time with our tenants to discuss any issues they may have. We also monitor our tenants' rental payment track record to assess their business and financial performance. We may elect not to renew the leases of retail tenants whose performance is not meeting our expectation in order to improve our rental income.

To our best knowledge, we are not aware of any circumstances that may lead to a default in rental payment or early termination of tenancy agreements in relation to any of our major tenants.

HOTEL DEVELOPMENT

We believe the demand for high-quality hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province and Anhui Province will increase as their economies continue to grow.

As of December 31, 2021, we owned and/or operated 20 hotels:

- eight international brand hotels (namely Le Meridien Shanghai Minhang, Radisson Blu Shanghai Pudong Jinqiao, Radisson Exhibition Center Shanghai, Hotel W Xiamen, Four Points by Sheraton Taicang Suzhou, Four Points by Sheraton Qingdao, Chengyang, Aloft Yancheng and Wyndham Grand Plaza Royale Powerlong Fuyang).
- 12 self-owned brand chain hotels (namely, ARTELS+ Collection Hechuan Chongqing, ARTELS Qingdao, ARTELS Anxi Quanzhou, ARTELS+ Huaian Jiangsu, ARTELS+ Collection Lingang Shanghai, ARTELS+ Wujing Shanghai, ARTELS+ Fuyang Hangzhou, JUNTELS Binjiang Hangzhou, JUNTELS Penglai Yantai, ARTELS+ Penglai Yantai, ARTELS+ Xinxiang and JUNTELS Tai'an).

Four Points by Sheraton Taicang Suzhou (in Suzhou Taicang Powerlong Plaza) and Four Points by Sheraton Qingdao (in Qingdao Chengyang Powerlong Plaza) are equipped with ancillary facilities commonly associated with five-star hotels, such as swimming pools, ball rooms, club houses, restaurants, retail shops and other entertainment facilities.

We have entered into operating agreements with a member of the Marriot international hotel group to operate seven of our hotels. Each operating agreement has a 10 or 15-year term (or longer) commencing on the date of the opening of the respective hotel and ending on its tenth or fifteenth full operating year. The investment returns from hotel developments are generally realized at a later time than other types of property developments.

We believe that by entering into long-term agreements with international management groups and engaging it to operate our hotels, we will be able to benefit from its global reputation, hotel operation experience as well as its integrated marketing services, global reservation systems and employee training programs. Moreover, we are also able to leverage Sheraton's internationally recognized brand name to enhance our reputation and corporate image. We believe this will help us to achieve attractive returns on our investments. Pursuant to the hotel operating agreements that we have entered into, Sheraton will operate our hotels at a level of service and quality in conformity with other international hotels operating under the same brand name. Sheraton will receive a monthly fee in consideration of its management and operation services. This fee is calculated based on a fixed percentage of the revenue from the operations of each of our hotels for each month and a progressive percentage of the amount by which such revenue exceeds all ordinary and necessary expenses incurred in the operations of such hotels for each calendar year during the terms of the relevant operating agreement. After the payment of this fee and deduction of all necessary reserves, we are entitled to all the profits and losses of our hotels. As the owner of these properties, we will review and approve the operating plans of the hotels proposed by Sheraton. We will also participate in, and approve major decisions regarding, the financial and operational financial management of, the relevant hotels.

We are responsible for hiring all our hotel staff, but Sheraton has the right to nominate certain senior management and key executives for the hotels operated by them. We are entitled to veto up to three such candidates nominated by Sheraton. Under the hotel operating agreements, we jointly establish key performance indicators with Sheraton in order to assess Sheraton's performance. In addition, we have the right to veto the management plans of the hotels proposed by Sheraton within 30 days of receiving the initial proposal.

PROPERTIES USED BY US

We used office spaces owned by Xiamen Powerlong Information, with a total GFA of 3,093 square meters, at Powerlong Center, 305 Jiahe Road, Xiamen City as our headquarters for no consideration from August to December 2007 as we were in a transitional period pending the completion of our corporate reorganization. We entered into a lease agreement in January 2008 and have started paying rent to Xiamen Powerlong Information. From February 2010 to January 2016, we leased our headquarters properties in Changning District, Shanghai, from an independent third party. Such lease was terminated in February 2016. In February 2016, in keeping with our overall development strategy of relocating our headquarters from Xiamen to Shanghai, we relocated our headquarters to Qibao Powerlong Plaza in Shanghai. Qibao Powerlong Plaza is located at Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai 201101 and represents our core competitiveness in first tier cities.

As of December 31, 2021, these lease agreements had not been registered because the lessors had not applied to have the leases registered. Given that the lessors' application and assistance are necessary for the registration of leases under the applicable PRC laws and regulations, we are unable to unilaterally register such leases despite our request and efforts to have them registered on time. The requirement for the leases to be registered is an administrative measure, the non-compliance of which may result in an administrative penalty but does not affect the validity of the leases. Accordingly, we believe that our continued use of the premises would not be affected by a delay to register the leases by the lessors and that if our rights as lessee are adversely affected by the lessors' failure to register the leases, we will seek recourse from the lessors under the lease agreements. The Hoi family as our controlling shareholders have also undertaken to indemnify us in the unlikely event that we suffer any loss as a result of the unregistered leases. We believe that if we are unable to renew these leases upon expiry, our business operations would not be adversely affected as we may find alternative venues for our staff dormitories.

INSURANCE

In accordance with the typical contractual terms we enter into, construction companies are responsible for quality and safety controls during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to follow during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. In addition to requiring the construction workers to follow our standards and specifications, we also take other precautionary measures such as erecting temporary protection walls around the work site to prevent unauthorized access, ensuring stairwells and lift wells are secured, conducting regular safety checks on cranes and lifts and erecting warning signs near hazardous areas. Since we have taken a number of reasonable steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us. We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. We may re-evaluate the risk profile of the property markets and adjust our insurance practice from time to time.

See "Risk Factors — Risks Relating to Our Business — We may suffer certain losses not covered by insurance."

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental and safety laws and regulations promulgated by both the central and local governments. The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Law of Prevention and Control of Environment Pollution Caused by Solid Wastes (中華人民共和國固體廢物污染環境防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and Provisional Measure on Completion Acceptance of Environmental Protection for Development Projects (建設項目竣工環境保護驗收暫行辦法). Pursuant to those laws and regulations, enterprises which plan to construct projects shall engage qualified professionals to provide the

environmental assessment report, assessment form, or registration form on the environmental impact of such projects. The assessment report, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Upon completion of construction of a construction project for which an environmental assessment report or assessment form is filed, the construction enterprise shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and compile an acceptance report. Except in cases where confidentiality is required according to relevant regulations, the construction enterprise shall make the acceptance report available to the public. In 2019, 2020 and 2021, we did not experience any material environmental pollution incident and there was no penalty imposed on us for violation of environmental laws and regulations. We believe we are in compliance with PRC safety regulations and that we did not have a record of any material non-compliance in 2019, 2020 and 2021. See “Risk Factors — Risks Relating to the Property Development Industry in China — Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability.”

We cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that we may develop in the future. We intend to prevent any potential future environmental risks by continuing to comply with relevant PRC environmental laws and regulations, engaging only reputable construction contractors with good environmental protection and safety track records and requiring the construction contractors to strictly comply with relevant law and regulations in materials procurement and property construction. We will also continue to educate our employees in relation to the importance of environmental protection and keep abreast of developments in PRC environmental protection laws and regulations through regular dialogue with the relevant local PRC authorities.

LABOR, HEALTH AND SAFETY MATTERS

In respect of social responsibilities, in particular, labor, health and safety insurance, pursuant to the regulations of the Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) and its implementation regulations, the Labor Law of the People’s Republic of China (中華人民共和國勞動法) and Opinions on Several Questions concerning the implementation of the Labor Law of the People’s Republic of China (關於貫徹執行(中華人民共和國勞動法)若干問題的意見), an enterprise is required to execute an employment contract with each employee according to law and shall not rescind the employment contract without cause. Employees are entitled to have rest and annual leave according to the laws and provisions stipulated in an employment contract. An enterprise is required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as any protective equipment if necessary. Pursuant to the regulations of the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees (國務院關於建立城鎮職工基本醫療保險制度的決定), Decision of the State Council on Establishing a Uniform Basic Endowment Insurance System for Enterprise Employees (國務院關於建立統一的企業職工基本養老保險制度的決定), the Provisional Insurance Measures for Maternity of Enterprise Employees (企業職工生育保險試行辦法), Regulations on the Management of Housing Provident Fund (住房公積金管理條例), Regulations on Unemployment Insurance (失業保險條例), Regulations on Industrial Injury Insurance (工傷保險條例) and Social Insurance Law (社會保險法) which took effect on July 1, 2011 and as amended on December 29, 2018, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, and personal injury insurance for its staff and pay the relevant insurance premiums according to law.

As of the date of this offering memorandum, there was no material violation of currently applicable PRC labor, health and safety regulations, nor were there any material employee safety issues involving us. We intend to fully comply with the new PRC labor contract laws and do not expect such compliance to affect our business operations in any material respect. We believe that by protecting the interests of our employees, we are able to enhance employee morale and long-term retention of quality personnel.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical

insurance, unemployment insurance, personal injury insurance and housing provident fund. Our human resources department personnel look after our labor, health and safety issues. They generally have sound knowledge of administration and human resources issues. They work together with our legal department to better understand the latest legal developments in this area and to ensure that we are in compliance with the relevant requirements.

In relation to workplace safety around construction sites, we, as a property developer, have limited potential liabilities to the workers on our construction sites, most of which rest with the construction contractors. When entering into contracts with contractors, we require them to purchase accident insurance according to applicable laws and regulations to cover their workers and adopt effective occupational safety control measures, such as providing workers with necessary protective equipment and offering them regular medical examinations and workplace safety training.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

We are involved in legal or other disputes in the ordinary course of our business from time to time, primarily claims relating to our guarantees for mortgage loans provided to purchasers of our properties and contract disputes with purchasers and tenants of our properties. Furthermore, as a company listed on the Hong Kong Stock Exchange, we are subject to regulation by, among others, the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong. However, we are not implicated in any outstanding material legal proceedings or claims or regulatory investigations currently existing or pending against us and are not aware of any such threatened claims or investigations as of the date of this offering memorandum. There are no material claims outstanding with regard to guarantees for mortgage loans provided to purchasers and contract disputes with purchasers and tenants of our properties as of the date of this offering memorandum. See “Risk Factors — Risks Relating to our Business — We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.”

RECENT DEVELOPMENTS

The following discussion should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Business” and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum.

The following is a discussion of certain material events and trends relating to our operations that took place subsequent to December 31, 2021.

Repayment of the Third 2022 Notes

On April 6, 2022, we have repaid the Third 2022 Notes.

In addition, we may from time to time conduct other capital markets activities to improve our capital structure.

REGULATION

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, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the 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 on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

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

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

The Civil Procedure Law of the PRC, which was adopted on June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection 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 of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

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

Establishment of a Property Development Enterprise

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the NPC on July 5, 1994 and effective on January 1, 1995 and as amended in August 2007, August 2009 and August 2019 respectively, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the "Regulations on Administration of Development and Operation of Urban Real Estate" (城市房地產開發經營管理條例) (the "Development Regulations") promulgated and implemented by the State Council in July 1998 and as amended in January 2011, March 2019 and November 2020, respectively, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1.0 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer.

In May 2009, the State Council issued a Notice on Adjusting the Ratio of Capital Fund for Investment Projects in Fixed Assets (關於調整固定資產投資項目資本金比例的通知) pursuant to which the portion of capital fund is 20% for affordable housing projects and ordinary commodity housing projects and 30% for other property projects. In September 2015, the State Council issued a "Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets" (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains at 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

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

Foreign-invested real estate development enterprises can be established in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the laws and administrative regulations relating to foreign-invested enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an approval certificate for a foreign-invested enterprise.

In July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE promulgated the Opinions on Regulating the Access to and Administration of Foreign Investment in Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the “171 Opinion”). On August 19, 2015, MOHURD, the Ministry of Commerce, NDRC, PBOC, SAIC and SAFE jointly issued the Notice on Adjusting the Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), revising the 171 Opinion. It stipulates that the proportion of the registered capital of a foreign-funded real estate enterprise to its total investment shall be as follows: (i) if the total investment is not more than USD3,000,000, its registered capital shall be not less than 70% of its total investment; (ii) if the total investment is more than USD3,000,000 but not more than USD10,000,000, its registered capital shall be not less than 50% of its total investment; particularly if the total investment is less than USD4,200,000, the registered capital shall be not less than USD2,100,000; (iii) if the total investment is more than USD10,000,000 but not more than USD30,000,000, its registered capital shall be not less than 40% of its total investment; particularly, if the total investment is less than USD12,500,000, the registered capital shall be not less than USD5,000,000; and (iv) if the total investment is more than USD30,000,000, its registered capital shall be not less than 1/3 of its total investment; particularly, if the total investment is less than USD36,000,000, its registered capital shall be not less than USD12,000,000. Branch offices or representative offices (except for enterprises approved to engage in the real estate business) which are formed within China by overseas institutions and overseas individuals who work or study in China may purchase commercial housing units for their own use according to their actual needs. For cities implementing house purchase quota policies, the purchase of housing units by overseas individuals shall comply with local policies.

On May 23, 2007 the MOFCOM and the SAFE jointly issued, and on October 28, 2015, the MOFCOM amended, the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct 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) or Circular 50 which stipulates the following requirements for the approval and supervision of foreign investment in real estate:

- foreign investment in the PRC real estate sector relating to high-grade properties should be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector, and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round-trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration shall be immediately filed according to applicable laws with the MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities;

- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with the MOFCOM; and
- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) the MOFCOM should carry out investigation and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

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, where a real estate enterprise is established within the PRC with overseas capital, it is prohibited from purchasing and/or selling real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in real estate development and management.

On April 6, 2010, the State Council issued the “Several Opinions on Further Enhancing the Utilization of Foreign Investment” (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US\$300.0 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalogue may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the “Catalogue of Investment Projects Approved by the Government” (政府核准的投資項目目錄).

On September 3, 2016, the Standing Committee of the NPC adopted a decision on amending the relevant laws in relation to foreign invested companies, which became effective on October 1, 2016. From the effectiveness of the decision, the establishment of the foreign invested enterprise (including foreign invested property development enterprise) and its subsequent changes are required to be filed with relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprises which are subject to special administrative measures regarding foreign investment entry. To implement the decision, MOFCOM published a draft administrative measure on its website for public comment on September 3, 2016.

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 requires the approval of NDRC, and any project with a total investment (including capital increase) for USD2 billion and above requires a filing to be submitted to the State Council, 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 requires the approval of 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 requires a filing to be presented to local development and reform commissions.

On March 15, 2019, the National People’s Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which comes 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 maintained by State Administration for Market Regulation 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.

Qualifications of a Property Developer

On December 27, 2021, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “Negative List”), which became effective on January 1, 2022. The Negative List has uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment.

Under the “Provisions on Administration of Qualifications of Property Developers” (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction in March 2000 and as amended in May 2015 and as amended in March 2022, a property developer shall apply for registration of its qualifications according to such the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development.

The qualification of real estate development enterprises is classified into Grade I and Grade II, and while there is no limitation on the construction scale of the real estate projects undertaken by a real estate development enterprise holding Grade I qualification, a real estate development enterprise holding Grade II qualification may only undertake real estate projects with floor areas of not more than 250,000 square meters. The property development qualification certificate has a validity period of three years. The property development governmental authorities at county level or above shall conduct oversight of “Random Inspection and Public Release” (i.e., the random selection of both inspectors and inspection targets and the prompt release of results) over the property developers to find out whether there are any unlawful acts.

Development of a Property Project

Under the Interim Regulations of the People’s Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (“Interim Regulations on Grant and Transfer”) promulgated by the State Council in May 1990 and as amended in November, 2020, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay a land premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease, mortgage or otherwise commercially use

the land use right within the term of use. Under the Interim Regulations on Grant and Transfer, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

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

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

On June 1, 2012, the Ministry of Natural Resources revised the Measure for the Disposal of Idle Land (閒置土地處置辦法), which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version.

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

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

After a property developer has carried out the above work, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with construction needs and funds for the construction have been made available, the developer shall apply for a Permit for Commencement of Works from the construction authority under the local government above the county level according to the “Measures for Administration of Granting Permission for Commencement of Construction Works” (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in October 1999 and as amended in July 2001 which was superseded by a measure with the same title promulgated by the MOHURD on June 25, 2014 and as amended on September 28, 2018 and March 30, 2021.

A property project developed by a property developer shall comply with the relevant laws and other statutes, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and amended in October 2017 and April 2019 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房

屋建築和市政基礎設施工程竣工驗收規定) promulgated by the MOHURD in December 2013, and shall also report details of the acceptance examination according to the Administrative Measures for Filings Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. A property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

Land for Property Development

The provisions of the Regulations on the Development, Operation and Management of Property provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the Rules regarding the Grant of State-Owned Land Use way of Tender, Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Natural Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. The assignor and the winning tender or winning bidder shall then enter into a confirmation, and the assignor and the winning tender or winning bidder shall then enter into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

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

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

In September 2010, the Ministry of Natural Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing and in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land 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 of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of land and undeveloped land is prohibited.

In December 2010, the Ministry of Natural Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Natural Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, such notice stipulates that changing the plot ratio without approval is strictly prohibited.

On April 1, 2017, the MOHURD and the Ministry of Natural Resources jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) which provides, among others, that cities and counties that have more than one million inhabitants are required to make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing. Where such period is longer than 36 months, no more land is to be supplied. Land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months and more land shall be provided in the case of a period of longer than six months but shorter than 12 months. However, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities are required to adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers will be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

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

Sale of Commodity Properties

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

Any pre-sale of commodity properties shall be conducted in accordance with the “Measures for Administration of Pre-sale of Urban Commodity Properties” (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994 and as amended in August 2001 and July 2004, respectively, and the Development Regulations. The Pre-sale Measures provide that pre-sale of commodity properties is subject to certain procedures. According to the Development Regulations and the Pre-sale Measures, a permit shall be obtained before a commodity property may be put up for pre-sale.

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 to the public the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties. With respect to the real estate development projects that have received property pre-sale license or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales at once within the specified time limit. Furthermore, with regard to a property that has been sold, 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 stated price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead property purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Real Estate Registration

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

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guide and supervision by the competent real estate registration authority at the higher level.
- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the nature condition, ownership conditions of the real estate, and restriction of rights.
- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management 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.
- 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 and as amended on July 24, 2019, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

Transfer of Real Estate

According to the Urban Real Estate Law and the “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 property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use right certificate has been obtained; (ii) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction work has 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 were originally obtained by government grant, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to, inter alia, adjust the land premium accordingly.

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

Leases of Properties

On December 1, 2010, the MOHURD issued the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), according to which, the parties to a housing tenancy are required to register such housing tenancy with the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The competent construction (real estate) departments shall urge those who violate the above regulation to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit. The above measures came into effect as of February 1, 2011.

On May 17, 2016, the General Office of the State Council issued the “Opinions on Accelerating the Cultivation and Development of Leasing Market” (關於加快培育和發展住房租賃市場的若干意見) (the “Opinions”), which encourages real estate developers to engage in the house leasing business. The Opinions encourage real estate developers to rent out built residential properties, newly built residential properties and residential properties. The Opinions also provide guidance on the cooperation between real estate developers and residential property leasing enterprises to develop rental properties.

On July 18, 2017, the MOHURD, the 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, the MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. 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 and as amended on December 9, 2019. 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” (北京市共有產權住房管理暫行辦法), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority. 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 “Urban Real Estate Law” promulgated in July, 1994, as amended in August 2007 and in August 2009, respectively, the “Measures for Administration of Mortgages of Urban Real Estate” (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001 and March 2021, and the PRC Civil Code, effective on January 1, 2021, when a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the property is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and then issue a certificate of third-party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on works in progress, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

Real Estate Financing

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

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

In September 2010, PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers for their third residential property and beyond or to non-local residents who can not provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

In November 2010, the MOHURD, the Ministry of Finance, PBOC and the CBRC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provided that, among other things: (i) where a first-time house purchaser (including the borrower, spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square meters, the minimum down payment shall be at least 20%, (b) more than 90 square meters, the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser that uses housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate at least 1.1 times the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

In January 2011, the General Office of the State Council issued the Notice on Further Adjusting 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 provided that the minimum down payment was to be raised to 60% for second-house purchases with the minimum lending interest rate at least 1.1 times the benchmark rate.

On February 26, 2013, the General Office of the State Council announced the Notice on Further Improving the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知). The notice provides that for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments. Since August 2014, most of the local government have issued their respective measures to lift the housing purchase restrictions.

In March 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice on Relevant Issues Concerning the Individual Housing Loan Policy (關於個人住房貸款政策有關問題的通知) 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. The notice also provides that (i) where a family applies for a housing reserve loan to buy the first residential property, the minimum down payment will be 20% of the property price; and (ii) where a family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions, the minimum down payment will be 30% of the property price.

In August, 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on Adjusting the Minimum Down Payment Ratio for the Purchase of Housing Units with Individual 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 lower the minimum down payment to 20% for the family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions. In Beijing, Shanghai, Guangzhou and Shenzhen, the minimum down payment of applying for housing reserve loan to buy a second residential property can be decided by local government in combination with local reality.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice of the PBOC and the CBRC on Issues concerning Further Improving the Differential Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知) to lower the minimum down payment required for homebuyers acquiring their first self-used ordinary residential property to 25% of the purchase price in the cities where restrictions on purchase of residential property are not being implemented.

On February 1, 2016, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Adjusting the Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知), which provides that in cities where restrictions on the purchase of residential property 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 their previous loan and are obtaining a 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 40%.

On December 28, 2020, 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》) effective from January 1, 2021, which requires a PRC domestic financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion as determined by PBOC and CBIRC based on the total amount of RMB loans extended by such financial institution.

On 15 May 2022, the PBOC and CBIRC jointly issued the “Notice on Relevant Issues Regarding the Adjustment of Differential Mortgage Loan Policies” (關於調整差別化住房信貸政策有關問題的通知) under which, for purchasing self-used ordinary residential properties, the interest rate of loans for first-time home purchasers is adjusted to be not lower than the LPR of corresponding maturity minus 20 basis points.

Property Management

According to the Guidance Catalogue, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalogue and the relevant requirements set out

under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly owned foreign enterprise. Before the SAIC registers a foreign-invested enterprise as a foreign-invested real estate management enterprise.

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and effective on September 1, 2003, amended on August 26, 2007, February 6, 2016 and March 19, 2018, respectively, the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners who in the aggregate hold more than 50% of the total uncommunal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

Insurance

There is no mandatory provision in under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

Hotel Development

A foreign-invested enterprise engaging the hotel business can set up an enterprise in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalogue and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

Hotel developments in China are also subject to regulations governing property development generally, including those relating to land use, project planning and construction.

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operation of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on security and fire control

Pursuant to the “Measures for the Control of Security in the Hotel Industry” (旅館業治安管理办法) issued by the Ministry of Public Security and enforced on November 10, 1987 and as amended on January 8, 2011 and November 29, 2020, and the “Decision of the State Council on Establishing Administrative License for Necessarily Retained Items Requiring Administrative Examination and Approval” (國務院對確需保留的行政審批項目設定行政許可的決定) issued by the State Council on June 29, 2004 and enforced on July 1, 2004 and as amended on January 29, 2009 and August 25, 2016, respectively, a hotel can start operation only after obtaining a special industry license from the local public security bureau and being issued a business license. The hotel operators should make a filing with the local public security bureau and its branches in the county or city, if the hotel operators has any material change such as closing, transferring business or merging into other business, changing place of business and name. Pursuant to the “Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions” (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, and the “Provisions on Supervision and Inspection on Fire Prevention and Control” (消防監督檢查規定), promulgated and effective as of May 1, 2009 and amended on November 1, 2012 by the Ministry of Public Security, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on public health

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation license. The measures for granting and

managing sanitation license are formulated by public health authority of province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

Supervision on catering

According to the relevant regulations and rules in relation to catering services, hotels operating catering services should obtain food trading permits. Food Trading Permits (食品經營許可證) are granted by food and drug administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards for catering services.

Supervision on entertainment

According to the “Regulation on the Administration of Entertainment Venues” (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006 and as amended on February 6, 2016 and November 29, 2020, hotels that operate singing, dancing and game facilities for profits should apply to the relevant local competent authorities of culture administration for entertainment commercial operation approvals. The relevant local competent authorities for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions by the competent authorities of entertainment administration under the State Council in its approval. According to the regulations concerning broadcast, movies and television, hotels with three stars or above or with the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

Supervision on disposition of sewage and pollutants

According to Decision on Setting Administrative Licensing on Items Requiring Administrative Approval that Really Need Reserved (國務院對確需保留的行政審批項目設定行政許可的決定) enacted by the State Council on June 29, 2004, effective on July 1, 2004 and as amended on January 29, 2009 and August 25, 2016, respectively, hotels that have been using or planning to use the city sewage system for water drainage should apply to the local city drainage administrative department for a city water-draining permit.

Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipments under relevant PRC regulations. According to the “Regulations on Security Supervision of Special Equipment” (特種設備安全監察條例) enacted by the State Council on March 11, 2003 and effective on June 1, 2003 and as amended January 24, 2009 and enforced on May 1, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should undergo periodic inspection by the special equipment examination institution.

Major Taxes Applicable to Property Developers

Income Tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the NPC on March 16, 2007 and enforced from January 1, 2008 onwards and as amended on February 24, 2017 and December 29, 2018, a uniform income tax rate of 25% applies to foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

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

Value Added Tax

Pursuant to the “Notice of the on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner” (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui [2016] No. 36) issued on March 23, 2016 and implemented on May 1, 2016 by the MOF and the SAT, the sale of self-developed old real estate projects (real estate projects launched before April 30, 2016, as stated on their construction works commencement permit) by the common taxpayer shall be subject to a simple tax rate of 5%. Real estate developers selling real estate projects by advance payment will be subject to an appreciation tax of 3% when receiving such payment.

Pursuant to the “Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers” (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018, by SAT, “self-development” means infrastructure facilities and buildings erected on the land with land use rights which 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 self-development real estate in accordance with the following formula:

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

The applicable rate is 11%. For taxpayers conducting old real estate projects and that have chosen the simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once the 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 prior to April 30, 2016 (as stated in the construction works commencement permit), and (2) construction projects with construction permits that do not state the date of construction or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 that have not received construction permits.

According to the Notice on Adjusting Value-added Tax Rates (關於調整增值稅稅率的通知) jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the value added tax rate was lowered from 17% to 16% for manufacturing and some other industries, and from 11% to 10% for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. The aforesaid tax rate of 16% and 10% was further reduced to 13% and 9%, respectively, starting from April 1, 2019 according to a notice jointly issued by MOF, SAT and PRC General Administration of Customs.

LAT

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

- amount paid for obtaining the land use right;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

- related tax payable for transfer of property; and
- other deductible items as specified by the Ministry of Finance.

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

The State Administration of Taxation also issued the Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the Notice of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax (關於土地增值稅若干問題的通知). The Notice stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.
- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.
- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the “Administrative Law of the People’s Republic of China on the Levying and Collection of Taxes.”
- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007 and as amended on June 15, 2018.

Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole incompleted development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after

obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

On May 19, 2010, the State Administration of Taxation has issued the Notice on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) which clarifies the revenue recognition in the settlement of land value-added tax and other relevant issues. According to the Notice, in the settlement of land value-added tax, if the sales invoices of commodity houses are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of land value-added tax, adjustments shall be made in the calculation of land value-added tax. The Notice provides that the deed tax paid by a real estate development enterprise for land use right shall be treated as the “relevant fees paid in accordance with the uniform regulations of the state” and be deducted from the “amount paid for land use right.”

On May 25, 2010, the State Administration of Taxation published 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) to require all local government to scientifically formulate the tax ratio and strengthen the pre-tax of land value increment tax. According to the Circular, all local government shall made adjustments to the current pre-tax ratio. In addition to safeguarding housing, the pre-tax ratio of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%; and the local government shall determine the pre-tax ratio applicable to different types of real estate.

Deed Tax

Pursuant to the Interim Regulations of the People’s Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council in July 1997, which will be replaced by Deed Law of the People’s Republic of China from September 1, 2021, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%–5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the aforesaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the “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 the MOF, the SAT and the 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 currently subject to the above deed tax preferential treatment policies.

According to the PRC Deed Tax Law, which repeals the PRC Tentative Regulations on Deed Tax, promulgated in August 2020 and implemented on September 1, 2021, deed tax is levied on the transfer of real property. The transferee/assignee is the taxpayer. Generally, the rates range from 3% to 5% of the transfer price, depending upon the locality where the transferred real property is located.

Urban Land Use Tax

Pursuant to the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988 as amended in December 2006 and December 7, 2013 and on March 2, 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007.

Property Tax

Under the Interim Regulations of the People's Republic of China on Property Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council in September 1986 and amended in January 2011, property tax shall be 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.

The State Council has approved, on a trial basis, the launch of a property tax scheme in selected cities. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing the pilot property tax schemes, which became effective on January 28, 2011. Under the measures issued by the Shanghai government, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. Under the measures issued by the Chongqing government, property tax will be imposed on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. These two governments may issue additional measures to tighten the levy of property tax.

Stamp Duty

Under the Interim regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council in August 1988 and amended in January 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5.0 per item. Effective from July 1, 2022, the Stamp Duty Law of the People's Republic of China (中華人民共和國印花稅法) promulgated on June 10, 2021 superseded the Interim Regulations of the People's Republic of China on Stamp Duty.

Municipal Maintenance Tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council in 1985 and amended in January 2011, which will be replaced by Municipal Maintenance Tax Law of the People's Republic of China from September 1, 2021, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Effective from September 1, 2021, the Municipal Maintenance Tax Law of the People's Republic of China (中華人民共和國城市維護建設稅法) superseded the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax.

In October 2010, the State Council issued the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1,

2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals, as well as domestic enterprises and individuals.

Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 and January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知).

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), from December 1, 2010 an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Measures on Stabilizing Housing Prices

The General Office of the State Council promulgated the Notice on Stabilizing Housing Prices (關於切實穩定住房價格的通知) in March 2005 requiring measures to be taken to keep housing prices from increasing too fast and to promote the healthy development of the property market. The Opinions on Work of Stabilizing Housing Price (關於做好穩定住房價格工作意見的通知) jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Natural Resources, the PBOC, the State Administration of Taxation and the CBRC in April 2005 provides that:

- Where housing prices grow too fast at a time when the supply of medium-or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium-or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium-or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.
- Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.
- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.

- Commencing from June 1, 2005, business tax upon the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.
- Low-to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 square meters, and the actual transfer price is lower than 1.2 times of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province (廣東省建設廳關於確定我省普通住房標準的通知) issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 square meters or the internal gross floor area of a single unit is less than 144 square meters, and the actual transfer price is lower than 1.44 times of the average transfer price of houses located on the land of the same level.
- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

On May 24, 2006, the General Office of the State Council forwarded the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見) jointly issued by the Ministry of Construction the NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Natural Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC. Such opinions reiterated the existing measures and introduced new measures intended to further curtail the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include the following:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA less than 90 square meters per unit and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 square meters or more, as effective from June 1, 2006;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, of less than 35%; restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties; and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans; and

- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

To carry out the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the Ministry of Construction promulgated the Opinions on Carrying Out Structure Proportion of Newly-Built Housing (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 square meters should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;
- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and
- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Notice on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見) which provided as follows:

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;
- the registered capital of a foreign-invested real estate enterprise with a total investment of US\$10.0 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US\$10.0 million, the current rules on registered capital shall apply;
- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and a business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid;
- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;
- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are properly handled with in accordance with applicable PRC laws;

- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and the SAFE shall not approve the settlement of any foreign loans;
- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On May 23, 2007, the MOFCOM and the SAFE promulgated and on October 28, 2015 the MOFCOM amended the Notice on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (關於進一步加強規範外商直接投資房地產業審批和監管的通知) (Shang Zi Han No. 50, 2007). The Notice provides stricter controlling measures including, among others:

- Where the application is filed for establishment of the real estate company, the land use right, the ownership of the real property should be obtained first, or the pre-assignment/ purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.
- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Oversea investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.
- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprises is prohibited.
- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the MOC for filing requirement.

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinions, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; and (iii) in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size of residential units in their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with changing market conditions is to be provided by increasing credit financing services to "low- to medium-level price" or "small-to medium-sized" ordinary commercial

housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

In January 2010, the General Office of the State Council issued the Notice on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (關於堅決遏制部分城市房價過快上漲的通知) which provides that: (i) if a first-time home buyer (including a borrower and his or her spouse and minor children) buys a residence with a unit floor area of more than 90 square meters for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate at least 1.1 times the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised.

The aforementioned Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure. The notice also provides for the suspension of the provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social security insurances certification for more than one year.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Adjusting 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 toughened credit controls on developers and raised the minimum mortgage down payments for buying a second home to 60% from 50%, with interest rates at least 1.1 times the benchmark lending rate published by the PBOC. Additional measures include the imposition of a tax on individuals who sell their property within five years after the purchase of such property. Local governments are also mandated to set target property prices in 2011 on factors such as local economic growth and home affordability. These measures are the latest in PRC central government's attempts to cool down the housing market, which has been heating up again since November 2010 (after a temporary lull due to tightening measures introduced in April and September of 2010).

The State Council has approved on a trial basis the launch of a property tax scheme in selected cities. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing their pilot property tax schemes.

On February 26, 2013, the General Office of the State Council announced the Notice on Continuing to Improve the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city in question; (ii) for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments; (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration. In the last quarter of 2013, down payment ratios were raised to 70% for second-house purchases in several cities, such as Guangdong, Shanghai and Hangzhou.

On September 29, 2014, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Real Estate Sector (關於進一步做好住房金融服務工作的通知), which provides where a family that owns a residential property and has paid off its existing mortgage loan applies for a

new mortgage loan to buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

On August 19, 2015, MOHURD, the Ministry of Commerce, NDRC, PBoC, SAIC and SAFE jointly issued the Notice on Adjusting the Policies on the Market Access and Administration of Foreign investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), which revising the Opinions on Regulating the Access to and Administration of Foreign Investment in Real Estate Market (關於規範房地產市場外資准入和管理的意見). It stipulated that (i) the proportion of the registered capital of a foreign-funded real estate enterprise to its total investment shall be subject to other applicable regulations; (ii) the requirement that foreign-funded real estate enterprises must fully pay up their registered capital to apply for domestic loan, overseas loans, and settlement of foreign exchange loans is canceled; (iii) branch offices or representative offices (except for enterprises approved to engage in the real estate business) which are formed within China by overseas institutions and overseas individuals who work or study in China may purchase commercial housing units for their own use according to their actual needs, and for cities implementing house purchase quota policies, the purchase of housing units by overseas individuals shall comply with local policies; and (iv) foreign-funded real estate enterprises may, in accordance with the relevant provisions on foreign exchange administration, directly undergo the relevant foreign exchange registration under foreign direct investment with banks.

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 that invest in the ordinary residential real estate projects in 16 cities including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan, Chengdu etc. It also prohibit private equity and asset management plans from funding real estate development enterprises to pay land premiums or supply working capital through multiple ways, including but not limited to entrusted loans, trust plans and receiving beneficial right of the assets.

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building to the relevant property administrative authorities.

Pursuant to the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) on May 9, 2005, there are several regulations when conducting commodity building transactions:

- A buyer of a commodity building is prohibited from conducting any transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the property administration shall not record the application of property ownership.
- A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the Ministry of Construction promulgated Notice on Reorganizing and Regulating the Transaction Procedures of Property (關於落實新建住房結構比例要求的若干意見) the details of which are as follows:

- A developer should start to sell the commodity buildings within 10 days after receiving the permit for pre-sale of commodity buildings. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.

- The property administration authority should establish an immediate network system for pre-sale contracts of commodity buildings and the system should, issue the transaction information of a piece of property. The basic location and information of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published on the network system and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but which is still under construction.
- Without the permit for pre-sale of commodity buildings, no advertisement of the pre-sale of commodity buildings may be issued.
- The property developers with a record of serious irregularity or developers which do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.
- The property administration authority should strictly carry out the regulations of the pre-sale contractor registration and record and apply the real name system for house purchases.

Foreign Exchange

With effect from January 1, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system based largely on supply and demand. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the PBOC according to market condition. However, despite such developments, RMB is still not a freely-convertible currency.

Pursuant to the Foreign Exchange Control Regulations of the PRC (中華人民共和國外匯管理條例) issued by the State Council which came into effect on April 1, 1996 and as amended on January 14, 1997 and August 5, 2008 respectively, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC (中國人民銀行關於印發(結匯、售匯及付匯管理規定)的通知), which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

If foreign investment enterprises require foreign exchange services for transactions relating to current account items, they may, without approval of the SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. If such enterprises need foreign exchange services for the distribution of dividends to their shareholders, they may, on the strength of a board of directors resolution authorizing the distribution of dividends and any other relevant documents, effect payment from their foreign exchange accounts and make such payments at the designated foreign exchange bank.

However, convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from the SAFE or its relevant branches must be sought.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

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) which became effective on November 1, 2005 (“Notice 75”). In July 2014, Notice 75 was abolished by the SAFE and was superseded by the Notice Regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) which was issued by the SAFE and became effective on July 4, 2014 (“Notice 37”). Notice 37 requires the PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any

company outside of China (an “offshore SPV”) with onshore or offshore assets and equities legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident.

On April 28, 2013, the SAFE issued, and on May 4, 2015, amended the Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration (國家外匯管理局關於發布〈外債登記管理辦法〉的通知), which became effective on May 13, 2013 and includes three appendices: (i) Administrative Measures on Foreign Debt Registration, (ii) Operating Guidelines for Foreign Debt Registration Administration, and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantee for domestic loans, foreign exchange managements for outbound transfer of non-performing assets, as well as relevant punishment provisions. The Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) provide specific operational rules in relation to foreign debts administration, which contain 15 items. Among these 15 items, foreign debt registration of foreign invested real estate enterprises is regulated as follows: (i) foreign invested real estate enterprises established before June 1, 2007, which have increased the registered capital on and after June 1, 2007, may raise foreign debt financing limited to the balance of scope of difference between the total investment and the registered capital. Provided that such scope of difference between the total investment and the registered capital after increasing capital is shorter than that of before increasing capital, the shorter one shall prevail, (ii) that the SAFE will no longer process foreign debt registration for foreign debt for foreign invested real estate enterprises that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007, and (iii) foreign invested real estate enterprises of which the land use rights certificate has not been obtained, or the project capital is less than 35% of the total investment of the project, are prohibited from raising foreign debt financing from abroad, and the SAFE will not process foreign debt registration or approve the foreign exchange settlement for foreign debts for such enterprises.

On May 11, 2013, the SAFE issued the Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting Documents (國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知), which includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China, (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China, and (iii) the Business Operating Guidelines for Domestic Direct Investment, but Appendix III and part of Appendix I thereof have been repealed by the Circular of the State Administration of Foreign Exchange on Repealing and Invalidating Five Normative Documents Concerning Administration of Foreign Exchange and Some Articles of Seven Normative Documents Concerning Administration of Foreign Exchange.

The Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定) effective on May 13, 2013, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises.

On January 10, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Accounts (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知), effective on February 10, 2014, which provides for, among others: (i) loosening of certain administrative procedures for the initial expenses outlay for overseas direct investments by domestic enterprises; (ii) loosening of certain restrictions on overseas lending by domestic enterprises; and (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

On February 13, 2015, the SAFE issued the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies over Direct Investment (關於進一步簡化和改進直接投資外匯管理政

策的通知), effective on June 1, 2015. The notice cancelled the approval for the registration of direct investment onshore and offshore, and simplified parts of the business procedures of direct investment.

On March 30, 2015, the 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金結匯管理方式的通知) effective from June 1, 2015, which reforms the administration of foreign exchange capital settlement for foreign-invested enterprises in China. Pursuant to this notice, foreign-invested enterprises may make equity investments within China by utilizing RMB funds converted from their foreign exchange registered capital. In addition to 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 investment scale and the premise that the domestic investment projects are authentic and in compliance. Equity investments within China involving the remittance of equity transfer payments in the original foreign currency by general foreign-invested enterprises, other than the above enterprises, are governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China through converted RMB funds, the investee enterprise shall first register the domestic reinvestment activity with the administration of foreign exchange (bank) in its place of incorporation and open a corresponding RMB account to deposit the converted RMB funds into, and the foreign-invested enterprises shall then transfer the converted RMB funds into the RMB account of the investee enterprise based on the investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, the 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 nationwide.

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, which allows all of the foreign non-investment enterprises to carry out domestic equity investment with their registered capital provided that such investment does not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested is authentic and legitimate.

On August 19, 2015, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly issued the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). According to this Notice, the foreign invested real estate enterprises can directly conduct foreign exchange registration concerning foreign direct investment in bank according to foreign exchange regulations

According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) issued by the SAFE on January 26, 2017, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions.

Environment Protection in the Development of Real Estate

The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to those laws and regulations, the developer shall, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Simultaneous design, simultaneous construction and simultaneous going into operation with the main body project must be realized for matching environmental protection facilities construction which is

required for the construction project. In addition, the developer shall, during the trial production of a construction project, monitor the operations of the environmental protection facilities and the environmental impact of the construction project. On completion of construction, the developer shall file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks. Acceptance checks for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance checks for of the main body project.

The Ministry of Environmental Protection issued the Rules on the Examination and Approval of Environmental Impact Assessment Documents of Construction Projects by Authorities at Various Levels (建設項目環境影響評價文件分級審批規定) on January 16, 2009, effective from March 1, 2009. According to the Rules, the power endowed to the authorities at various levels in charge of the examination and approval of environmental impact assessment documents of construction projects shall, in principle, be determined in accordance with the power to examine, approve, verify and file the construction project concerned as well as the nature and degree of the environmental impact brought by the construction project concerned. The Ministry of Environmental Protection may entrust the local environmental protection department at provincial level at the place of the project to exercise part of its statutory power of examination and approval, in which case, public announcement thereof shall be made.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Title
Mr. HOI Kin Hong ⁽³⁾	70	Chairman of the board
Mr. HOI Wa Fong ⁽²⁾	44	Executive Director and Chief Executive Officer
Mr. XIAO Qing Ping	73	Executive Director and head of the office of the board
Ms. SHIH Sze Ni Cecilia	41	Executive Director
Mr. ZHANG Hong Feng	54	Executive Director, and executive vice president and the general manager of business division 2
Ms. HOI Wa Fan	46	Non-Executive Director
Mr. NGAI Wai Fung ⁽¹⁾	60	Independent non-Executive Director
Mr. MEI Jian Ping ⁽¹⁾⁽²⁾⁽³⁾	62	Independent non-Executive Director
Mr. DING Zu Yu ⁽¹⁾⁽²⁾⁽³⁾	49	Independent non-Executive Director
Mr. CHEN De Li	48	Associate President
Mr. LIAO Ming Shun	58	Vice president and Chief Financial Officer
Mr. HONG Qun Feng	49	Vice president and general manager of business division one
Mr. ZHANG Jun	45	Vice president and general manager of Zhejiang business division
Mr. HUANG Wen Zhong	51	Vice president and general manager of the capital management centre and general manager of the asset management centre
Mr. HUANG Yao Ming	48	Vice president and general manager of investment development centre
Mr. SHEN Jian Zheng	53	Vice president and general manager of marketing management centre
Ms. HAI Di	32	Joint company secretary and board secretary
Ms. SUEN Pui Chun Hannah	44	Joint company secretary

Notes:

- (1) member of the Audit Committee
- (2) member of the Remuneration Committee
- (3) member of the Nomination Committee

DIRECTORS

Our board of directors consists of nine directors, three of whom are independent non-executive directors. Hoi Wa Fong and Hoi Wa Fan are children of Hoi Kin Hong and Shih Sze Ni Cecilia is the spouse of Hoi Wa Fong. Our directors are elected at meetings of the shareholders of the Company for a term of three years, renewable upon re-election and re-appointment.

A description of the business experience and present employment of each of our directors is provided below.

Executive Directors

HOI Kin Hong, aged 70, is an executive Director and the chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi is a standing committee member of the Chinese People’s Political Consultative Conference and of the Election Committee of the Macau Special Administrative Region of the People’s Republic of China. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the “Xiamen Powerlong Group”) in 1992 and has served as its chairman since then. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. Mr. Hoi has, for a number of times, been recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team since 2006. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China (中國最具影響力企業家), China Celebrities Achievement Award “10 Outstanding Masters” (中華名人成就獎「十大傑出名人」), Top 30 People in

motivating Chinese Economy over the 30 years of China's reformation (中國改革開放30年感動中國經濟30人), the Outstanding Leader in the Commercial Real Estate Industry in China (中國商業地產傑出領袖人物), China Top 100 Real Estate Entrepreneurs (中國房地產百強企業家), Contributor of China Top 100 Real Estate Entrepreneurs (中國房地產百強企業家貢獻人物), Charity Special Contribution Award of China (中國公益事業特別貢獻獎), Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award (光彩事業20周年突出貢獻獎), Top 10 People for commerce and community in Fujian (閩商公益十大人物), "Tribute to 40th Anniversary of China Reform and Opening Up, Top 40 in 40 Years in the Real Estate Industry in China" (致敬中國改革開放40週年中國房地產40年40人時代人物), 11th Chinese Charity Award "Personal Contributor with Excellent Contribution to Charity in Areas Like Poverty Alleviation Efforts" and "Personal Contributor with Excellent Contribution to Charity in Areas Like Combat Against COVID-19" (第十一屆中華慈善獎「在脫貧攻堅等慈善領域作出突出貢獻的捐贈個人」和「在抗擊新冠肺炎疫情慈善領域作出突出貢獻的捐贈個人」). Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, an executive Director and a non-executive Director, respectively, and the father-in-law of Ms. Shih Sze Ni Cecilia, an executive Director.

HOI Wa Fong, aged 44, is an executive Director and chief executive officer of the Company. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi Wa Fong is a member of All-China Federation of Returned Overseas Chinese, a director of China Overseas Friendship Association, the vice chairman of China Real Estate Chamber of Commerce, a standing committee member of Chinese People's Political Consultative Conference for the city of Shanghai and the vice-chairman of the Fujian Youth Federation. He graduated from the school of management of Xiamen University and received an EMBA degree from the Cheung Kong Graduate School of Business. He received a DBA degree from Singapore Management University in June 2021. He started to work as an intern in Xiamen Powerlong Group in 1999 and joined the Group upon graduation from Xiamen University in 2003. He held various positions of various Group companies including vice general manager, general manager, vice president, chief vice president and chief executive officer. Mr. Hoi Wa Fong is currently an executive director and chairman of the Board of Directors of Powerlong CM, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9909) and a subsidiary of the Company. He was awarded Annual Leaders in the Real Estate Industry in the PRC, Most Influential People in the Real Estate Industry in the PRC, Outstanding Individual Among Returned Overseas Chinese and Family Members, Top 10 Gold-Medal CEO of China Real Estate Listed Companies (中國房地產上市公司十大金牌CEO), Top 30 CEO in the Real Estate Industry in China (中國地產年度CEO 30強), China Commercial Real Estate Industry Outstanding Contribution Award (中國商業地產行業傑出貢獻獎), China Real Estate Achiever (中國房地產功勳人物), China Commercial Property Industry Leader (中國商業地產行業領軍人物), Achiever in Fostering the Building of Socialism with Chinese Characteristics (促進中國特色社會主義建設功勳人物), and so forth. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong, an executive Director and chairman of the Board, the spouse of Ms. Shih Sze Ni Cecilia, an executive Director and the brother of Ms. Hoi Wa Fan, a non-executive Director.

XIAO Qing Ping, aged 73, is an executive Director and the head of the office of the Board of Directors of the Company. Mr. Xiao is primarily responsible for assisting on the formulation of the Group's overall strategy and investment decisions. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni Cecilia, aged 41, is an executive Director. Ms. Shih is involved in the strategic management commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and obtained an EMBA degree from the Cheung Kong Graduate School of Business in September 2014. She joined Xiamen Powerlong Hotel in January 2003 as a director. She then joined Xiamen Powerlong Group in 2005 as a director and the general manager of the finance department. In November 2007, she held the positions of an executive Director, the general manager of the supervision department and the cost control centre. She has been involved in the strategy management of the commercial group under the Group since April 2011. Ms. Shih Sze Ni Cecilia is the daughter-in-law of Mr. Hoi Kin Hong, an executive Director and chairman of the Board, the wife of Mr. Hoi Wa Fong, an executive Director, and the sister-in-law of Ms. Hoi Wa Fan, a non-executive Director.

ZHANG Hong Feng, aged 54, is an executive Director, and an executive vice president and the general manager of business division 2 of the Company. Mr. Zhang is fully responsible for the operation and management of business division 2 and its subsidiary real estate companies. Mr. Zhang was a department manager of Tianyu Real Estate Company (天宇房地產公司), an assistant to the general manager of Anbao Real Estate Development Company Limited (安寶房地產開發有限公司), a deputy general manager of the real estate centre of Xiamen Powerlong Group, an executive director of Suzhou Powerlong Real Estate Development Company Limited (蘇州寶龍房地產發展有限公司), an executive director of Suqian Powerlong Property Development Company Limited (宿遷寶龍置業發展有限公司), a general manager of Suqian Powerlong Commercial Property Management Company Limited (宿遷寶龍商業物業管理有限公司), a general manager of Tianjin Powerlong City Company, a regional deputy general manager of the southern region, a general manager of project management centre, a vice president and a general manager of companies in other provinces and regions of the Group, a vice president of the Company and a general manager of operation management centre. He was responsible for the operation platform and the person-in-charge of operation management centre, cost control centre and technology development centre of the Company. He obtained a bachelor's degree in industrial electrical automation from Guangxi University in July 1989 and received an EMBA from Tongji University in December 2015. He joined the Company in December 2004 and was appointed as an executive Director on 14 October 2015.

Non-executive Director

HOI Wa Fan, aged 46, is a non-executive Director. Ms. Hoi is a director of Xiamen Powerlong Group. Since 2010, she has been the managing director of Companhia de Construção e Investimento Predialpou Long, Limitada (寶龍集團發展有限公司) and is responsible for the overall management and business development of Companhia de Construção e Investimento Predialpou Long, Limitada (寶龍集團發展有限公司). Since 2020, Ms. Hoi has been executive director and Secretary General of Powerlong Foundation (寶龍公益基金會). Ms. Hoi is currently a non-executive director of Powerlong CM, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9909) and a subsidiary of the Company. Ms. Hoi is the daughter of Mr. Hoi Kin Hong, an executive Director and chairman of the Board, sister of Mr. Hoi Wa Fong, an executive Director, and sister-in-law of Ms. Shih Sze Ni Cecilia, an executive Director.

Independent Non-executive Directors

NGAI Wai Fung, aged 60, an independent non-executive Director. Mr. Ngai joined the Company as an independent non-executive Director in June 2008. He is currently the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 31 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and risk management, regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is a member of the General Committee and the Chairman of Membership Services of Sub-Committees of the Chamber of Hong Kong Listed Companies. He was the President of Hong Kong Institute of Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute (HKCGI)) (2014-2015), an unofficial member of the Working Group on Professional Services under the Economic Development Commission of Hong Kong Special Administrative Region (2013-2018), a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants (2013-2018) and 1st Batch of Finance Expert Consultants of Ministry of Finance of the PRC (2016-2021). Mr. Ngai is currently the independent non-executive director of Bosideng International Holdings Limited (Stock Code: 3998.HK), BaWang International (Group) Holding Limited (Stock Code: 1338.HK), Beijing Capital Grand Limited (Stock Code: 1329.HK), TravelSky Technology Limited (Stock Code: 696.HK) and China Energy Engineering Corporation Limited (Stock Code: 3996.HK), all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Mr. Ngai is also an independent director of SPI Energy Co., Ltd., which is now listed on Nasdaq. Mr. Ngai was the independent non-executive director of Renco Holdings Group Limited (Stock Code: 2323.HK, formerly known as China HKBridge Holdings Limited) from March 2016 to April 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company (Stock Code: 6869.HK) from September 2014 to January 2020. Health and Happiness (H&H) International Holdings Limited (Stock Code: 1112.HK) from July 2010 to May 2020, SITC International Holdings

Company Limited (Stock Code: 1308.HK) from September 2010 to October 2020, BBMG Corporation (Stock Code: 2009.HK) from November 2015 to May 2021 and China Communications Construction Company Limited (Stock Code: 1800.HK) from November 2017 to February 2022. He was an independent director of LDK Solar Co., Ltd. (listed on the OTC Pink Limited Information, Stock Code: LDKYQ) from July 2011 to April 2020.

Mr. Ngai is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a fellow of the HKCGI, a fellow of Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and a member of the Chartered Institute of Arbitrators. Mr. Ngai received a doctoral degree in Finance from Shanghai University of Finance and Economics, a master's degree in Corporate Finance from the Hong Kong Polytechnic University, a bachelor honor degree in Laws from University of Wolverhampton in the United Kingdom and a master's degree in Business Administration from Andrews University of Michigan in the United States.

MEI Jian Ping, aged 62, is an independent non-executive Director. Mr. Mei joined the Company as an independent non-executive Director in June 2008. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business since 2006. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor's degree in mathematics from Fudan University in 1982, a master's degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non-executive Director of the Company in June 2008. He was also appointed as an independent non-executive director of MIE Holdings Corporation (HK stock code: 1555) and China Rundong Auto Group Limited (HK stock code: 1365) in 2010 and 2014 respectively. He was appointed as an independent director of Cultural Investment Holdings Co., Ltd. (SH stock code: 600715; retired from office already) in 2016, an independent director of Dazzle Fashion Co Ltd (SH stock code: 603587) in 2018, and an independent director of Shanghai Shentong Metro Co., Ltd. (SH stock code: 600834) in 2020.

DING Zu Yu, aged 49, is an independent non-executive Director. Mr. Ding joined the Company as an independent non-executive Director in December 2014. He is currently an executive director and chief executive officer of E-House (China) Enterprise Holdings Limited (HK Stock Code: 2048). Save for the above, he had also held various positions in China Real Estate Information Group Co., Ltd (中國房產信息集團) in the past including as a co-president and an executive director from September 2009 to April 2012. Mr. Ding is currently an independent non-executive director of Greentown Management Holdings Company Limited (HK Stock Code: 9979) and SCE Intelligent Commercial Management Holdings Limited (HK Stock Code: 606). He was an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863). He is also currently assuming important positions in other professional associations and bodies within the PRC real estate industry. He serves as an executive principal of the E-House Research and Training Institute (易居研究院). He is also an executive committee member of the China Real Estate Association (中國房地產協會), an adviser on the real estate market for the China's Ministry of Housing and Urban-Rural Development (國家住房和城鄉建設部) and a committee member of CPPCC of Shanghai (上海市政協委員). He was named as "Shanghai Outstanding Young Merchant" (上海傑出青年企業家) in 2012 and was named one of the "Top Ten Shanghai Young Merchants" (上海十大傑出青年企業家) for 2011 to 2012. He received his bachelor's degree in real estate economics in 1998 and his Ph.D. in economics in 2013 from the East China Normal University.

Senior Management

CHEN De Li, aged 48, is an associate president of the Company. He was a director and co-president of Seazen Holdings Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601155) during the period from August 2016 to March 2020. From August 2010 to July 2016, Mr. Chen assumed various positions, among which including as an executive deputy general manager of the commercial management operational center of Dalian Wanda Commercial Real Estate Co., Ltd., vice president as well as general manager and executive vice president of the merchants center as well as general manager of operational center of Dalian Wanda Business Management Group Co., Ltd. and vice president as well as executive vice president of the business management headquarter and general manager of the integrated management center of Dalian Wanda Commercial Real Estate Co., Ltd. in the PRC. From June

2006 to August 2010, he served as a general manager of Singapore CapitaLand Capital Commercial China. For the period from September 2001 to May 2006, he was a general manager of Sichuan Huali Group Shunyuan Commercial Real Estate Company. From September 1997 to September 2001, he served as a general manager of Singapore Yilai Group Wuhan Company.

Mr. Chen obtained an executive master's degree in business administration (EMBA) from The Southwestern University of Finance and Economics in Chengdu Sichuan, the PRC in December 2013. He is currently pursuing a doctoral degree of business administration (DBA) at the Western Business School, The Southwestern University of Finance and Economics of China in Chengdu Sichuan, the PRC. Mr. Chen joined the Company in June 2020, and was appointed as an executive director and chief executive officer of Powerlong CM (the shares of which are listed on the HKEx; Stock Code: 9909).

LIAO Ming Shun, aged 58, is the vice president and the chief financial officer of the Company and manages the Group's financial management centre, fund management centre. Mr. Liao is responsible for the overall capital operation, financing, taxation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of the Ministry of Agriculture of Fujian Province and Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in rural finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant (IPA), Certified Taxation Accountant (CTA), Financial Planner and the Judge Panel of the Committee of China's Corporate Financial Valuation Experts. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance" (財政部新理財CFO2012年度人物獎), "2013 China's Financial Value Leadership Award" (2013年度中國財務價值領軍人物獎), "2014 Huazun Award — Top 10 most Respected Brand Builders who promoted the economic development of the industry" (2014年華尊獎—推動行業經濟發展最受尊敬十大品牌人物), "2015 CFODC — China's Top 10 Capital Operators" (2015年CFO發展中心中國資本運營TOP10人物), "2017 Asia 10 Brand Innovation Personality Award" (2017亞洲十大創新人物獎) awarded by the Asia Brand Ceremony Committee, "2019 China Financing Award (Hong Kong) — 'Best CFO'" (2019中國融資大獎(香港)「最佳財務總監」), "2020 China Real Estate Huabiao Award — 'Outstanding CFO of Property Developers'" (2020年中國地產華表獎「卓越房企CFO」), "CEFO JF Awards — '2020 Outstanding Strategy Execution Award'" (CEFO●介浦獎「2020年度傑出戰略執行獎」) and "2021 CFO with Best Leadership in Property Sector" (2021年度地產最具領導力CFO). He joined the Company in August 2009.

HONG Qun Feng, aged 49, is the vice president and the general manager of the business division of the Company, is currently responsible for the overall business as well as operation and management of the business division one. Prior to joining the Group, Mr. Hong was the assistant to the general manager of Xiamen Chengyi Property Development Co. (廈門誠毅房地產開發公司) and the founder and general manager of Xiamen Bairun Property Consulting Co. Ltd. (廈門百潤房地產顧問有限公司). He received an EMBA degree from SEM of Tongji University and an EMBA degree from Cheung Kong Graduate School of Business. He joined the Company in 2005, and has been the general manager of the Powerlong Land business division general manager of Guangdong business division, etc., in charge of the overall business and operational management of the Powerlong Land business division and Guangdong business division successively.

ZHANG Jun, aged 45, is an executive vice president and the general manager of Zhejiang business division of the Company and is responsible for overall business as well as operation and management of the division. He served as the chief executive officer of Boee Real Estate Group Co., Ltd. (保億置業集團有限公司) and an assistant to president of Shanghai Forte Land Company Limited (復地(集團)股份有限公司) and a general manager of its subsidiary in Hangzhou company. He obtained a master's degree in business administration from Zhejiang University. He joined the Company in June 2016 and was the vice general manager of Powerlong Land business division, responsible for project development and operational management.

HUANG Wen Zhong, aged 51, is a vice president of the Company, general manager of capital management centre, and general manager of asset management centre. He is primarily responsible for the Company's capital market business, industrial investment, asset management and corporate governance of listed company. He has over 28 years of experience in the finance industry. Prior to joining the Company, he was the person-in-charge of the office of the board of Xiamen Commercial Bank, person-in-charge of the risk management department of the credit management division of Xiamen Commercial Bank, head of the Jimei sub-branch of Xiamen Bank, head of the Quanzhou branch of Xiamen Bank and group head of the Haixi Finance Lease Company Limited Preparatory Group. He obtained a bachelor's degree from Fudan University and an EMBA degree from Xiamen University. He is also an economist. He joined the Company in June 2016.

HUANG Yao Ming, aged 48, is a vice president and the general manager of the investment development centre of the Company and is responsible for project expansion and acquisition of land reserve of the Company. Prior to joining the Company, he served senior positions of investment, expansion and management in various large-scale enterprises, where he was the general manager of investment department in Huali Property Group (華立地產集團), the chief investment officer of Xianjin Group Korean Company Limited (韓國株式會社現進集團), and the vice president of Shanghai Mingbang Investment Company (上海銘邦投資公司). He obtained a bachelor's degree in real estate operation and management from Shanghai Tongji University, and was awarded a master's degree in technical economics and management by Shanghai Tongji University. He is also qualified as a China Certified Real Estate Appraiser. He joined the Company in March 2010.

SHEN Jian Zheng, aged 53, is a vice president and general manager of the marketing management centre of the Company and is responsible for the overall marketing control of the Company. Prior to joining the Company, he served senior marketing management positions in various large-scale enterprises, where he was the assistant to the general manager of Longyan Lvhengxing Construction (龍岩龍興建設), the sales director of Xiamen Haifa Property (廈門海發房地產) and marketing director of Yuehua New Property Group (悅華新房地產集團). He obtained a bachelor's degree in finance from Xiamen University. He joined the Company in August 2007.

SUEN Pui Chun Hannah, aged 44, is a joint company secretary of the Company. Ms. Suen is a manager of corporate services of Vistra Corporate Services (HK) Limited, and has over fourteen years of experience in providing a full range of company secretarial and compliance services. She is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute in United Kingdom since 2019. Ms. Suen obtained a Master of Corporate Governance from The Open University of Hong Kong and a Bachelor of Arts (Hons) in Translation and Interpretation from The City University of Hong Kong. She was appointed as one of the joint company secretaries of the Company on 18 December 2020.

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, senior management or substantial shareholders or controlling shareholders of the Company and no other information relating to the Directors that are required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

HAI Di, aged 32, is a joint company secretary and the board secretary of the Company, responsible for company secretarial issues. Ms. Hai has approximately eight years of experience in company secretarial issues. She served as the compliance supervisor in the office of the secretary of the board of directors of the Group from October 2014 to August 2018, and served as the manager of company secretarial team of Shui On Land Limited, a company listed on the Main Board of the Stock Exchange (HK stock code: 272), from August 2018 to November 2020. Ms. Hai obtained a Master Degree in Laws from University of London and a Bachelor Degree in Laws from Xiamen University. She rejoined the Company in November 2020.

COMPENSATION OF DIRECTORS

In 2019, 2020 and 2021, the aggregate amount of salaries, discretionary bonuses, retirement scheme contributions, fee and allowance and benefit paid by us to or on behalf of all of our directors was RMB6.7 million, RMB7.1 million and RMB7.1 million, respectively.

AUDIT COMMITTEE

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and provide advice and comments to our board. The audit committee consists of three members who are our independent non-executive directors. The chairman of the audit committee is Ngai Wai Fung.

REMUNERATION COMMITTEE

We have established a remuneration committee which consists of Hoi Wa Fong, Mei Jian Ping and Ding Zu Yu. Mei Jian Ping has been appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to our board the remuneration and other benefits paid by us to our directors and senior management. The remuneration of all our directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

NOMINATION COMMITTEE

We have established a nomination committee which consists of Hoi Kin Hong, Mei Jian Ping and Ding Zu Yu. Hoi Kin Hong has been appointed as the chairman of the nomination committee. The nomination committee considers and recommends to our board suitably qualified persons to become our board members and is responsible for reviewing the structure, size and composition of our board on a regular basis.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of the date of this offering memorandum by those persons who beneficially owned more than 5% of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the “SFO”).

Name of Shareholder	Capacity	Number of shares ⁽¹⁾ and share options of the Company	Approximate shareholding percentage
Mr. Hoi Kin Hong	Interest of a controlled corporation and beneficial owner	1,834,102,000 ⁽²⁾	44.30
	Interest of spouse	2,800,000	0.07
Mr. Hoi Wa Fong	Interest of a controlled discretionary trust and beneficial owner	606,556,000 ⁽³⁾	14.65
	Interest of spouse	503,400 ⁽⁴⁾	0.01
Ms. Hoi Wa Fan	Interest of controlled corporation and beneficial owner	288,093,000 ⁽⁵⁾	6.96

Notes:

- (1) All interest in these shares are long position.
- (2) Of the 1,834,102,000 shares and underlying shares held, 1,805,637,000 shares were held by Skylong Holdings Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. Hoi Kin Hong, 27,479,000 shares were beneficially held by Mr. Hoi Kin Hong and 986,000 shares awarded to Mr. Hoi Kin Hong on May 29, 2014 and June 6, 2013 under the share award scheme (the “Scheme”). See “Business — Employees — Share award scheme.”
- (3) Of the 606,556,000 shares and underlying shares held, 597,568,000 shares were held by Sky Infinity Holdings Limited, a company incorporated in the British Virgin Islands and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust. 8,202,000 Shares were beneficially held by Mr. Hoi Wa Fong and 786,000 shares awarded to Mr. Hoi Wa Fong on May 29, 2014 and June 6, 2013 under the Scheme.
- (4) These shares represent 503,400 shares awarded to Ms. Shih Sze Ni Cecilia on May 29, 2014 and June 6, 2013 under the Scheme.
- (5) Of the 288,093,000 shares and underlying shares held, 226,623,000 shares were held by Walong Holdings Limited and Mantory (HK) Trading Co., Limited, companies incorporated in the British Virgin Islands and Hong Kong respectively and both beneficially owned by Ms. Hon Wa Fan, 61,470,000 shares were beneficially held by Ms. Hoi Wa Fan.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2021, our total external borrowings amounted to RMB72,957.6 million (US\$11,448.6 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Project Loan and Working Capital Loan Agreements

Certain of our PRC subsidiaries have entered into project and working capital loan agreements with various PRC banks, including primarily The Bank of China, The Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Industrial Bank, China Merchants Bank, the Bank of East of Asia, Bank of Communications, and Bank of Beijing. Most of these loans are project loans to finance the construction of our projects and typically have tenors ranging from 6 to 120 months, which generally corresponds to the construction periods of the particular projects. The working capital loans are used to finance the operations of completed investment properties, including cash flow and goods procurement, and generally have longer tenors ranging up to 10 years. Our project loans from PRC banks and working capital loans are usually secured by land use rights and properties and, in some cases, are guaranteed by certain of our other PRC subsidiaries or our controlling shareholder. Certain of our PRC project loans require us to prepay the loan if a certain percentage of GFA of the relevant project has been delivered.

As of December 31, 2021, the aggregate amount outstanding under these loans was RMB5,308.4 million of which was due within one year and RMB3,487.1 million of which was due over one year.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. The working capital loans generally amortize on a straight line basis over their tenors. As of December 31, 2021, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.91% per annum.

Covenants

Certain of our PRC subsidiary borrowers have agreed under these loans, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties or apply for other loans that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect; and
- dispose (including sell, grant, mortgage) material assets, most or all of the assets.

Dividend restriction certain banks

Pursuant to the project loans with certain banks, some 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 or the following financial year; or
- before the principal amount of and accrued interest on the relevant project loan have been fully paid.

Events of Default

These loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of December 31, 2021, RMB33,865.4 million of the loans were secured by land use rights and/or properties of the subsidiary borrowers and/or our other PRC subsidiaries.

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing loan agreements with PRC trust companies (the “Trust Financing Loans”) to finance property development or for, general corporate purposes. These Trust Financing Loans typically have a term of one to two years. As of December 31, 2021, we had Trust Financing Loans of an aggregate principal amount of RMB3,496.0 million with a PRC trust company, which are for project construction and investment properties.

Interest

The principal amounts outstanding under the Trust Financing Loans bear a fixed interest rate. Interest payments are payable quarterly or on a payment date as provided in the particular loan agreement.

Covenants

Under these Trust Financing Loans, some of our PRC subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender or obtaining the lenders’ prior consent:

- transfer, lease or create encumbrances on any part of its pledged assets or dispose any of its pledged assets
- take any action which may adversely affect the value of the pledged assets;
- the occurrence of any material adverse change in the financial condition of the borrower;
- the occurrence of any material litigation pending against the borrower;
- the occurrence of any material investigation by governmental authorities; or
- take any other action which may adversely affect their ability to repay the loans.

Guarantee and security

Our Trust Financing Loans are guaranteed by the subsidiaries of such PRC subsidiary borrowers or us and/or secured by land use rights of or share capital in our PRC subsidiary borrowers.

Offshore Bank Facilities

In August 2018, we entered into a revolving loan facility, of up to US\$50.0 million with Bank of China (Hong Kong) Limited. As of the date of this offering memorandum, US\$8.4 million was outstanding under this facility.

In March 2019, we entered into a loan facility consisting of three tranches (i) a five-year term loan with an aggregate amount up to approximately US\$8.7 million, (ii) a three-year term loan with an aggregate amount up to HK\$36.9 million (US\$4.7 million) and (iii) a three-year term loan with an aggregate amount up to HK\$100.0 million (US\$12.8 million) with Dah Sing Bank, Limited. As of the date of this offering memorandum, an aggregate amount of approximately US\$12.8 million was outstanding under these term loan facilities.

In February 2020, our subsidiary Pengwan Enterprise Management and Holding (Macau) Limited entered into a bank facility of up to HK\$910.0 million (US\$116.7 million) with Tai Fung Bank Limited. The facility has a tenor of one year. In February 2021, the tenor of the facility was extended for three years and the facility was increased to up to HK\$1.2 billion (US\$153.9 million). As of the date of this offering memorandum, HK\$1.2 billion (US\$153.9 million) was outstanding under this facility.

In November 2020, Powerlong entered into a revolving short term facility of up to US\$50.0 million with Fubon Bank (Hong Kong) Limited. The facility has a tenor of one year. In November 2021, the facility was extended for an additional one year and the facility was revised to up to US\$30.0 million. As of the date of this offering memorandum, RMB50.0 million was outstanding under this facility.

In December 2020, Powerlong entered into a revolving loan and a term loan with The Bank of East Asia, Limited with an aggregate amount up to approximately RMB1,150.0 million (US\$180.5 million). As of the date of this offering memorandum, RMB1,150.0 million (US\$180.5 million) was outstanding under these facilities.

In January 2021, we entered into credit facility of up to US\$30.0 million with Taishin International Bank. The facility has a tenor of one year. As of the date of this offering memorandum, RMB30.0 million (US\$4.7 million) was outstanding under this facility.

Save for the loan facility with Dah Sing Bank Limited, all of the above credit facilities are backed by standby letters of credit issued by PRC banks, which are in turn secured by cash deposits and other assets of our PRC subsidiaries.

2023 Notes

On July 23, 2019, we entered into an indenture (the “2023 Indenture”), pursuant to which we issued an aggregate principal amount of US\$170.0 million 6.95% Senior Notes due 2023 (the “Original 2023 Notes”). On June 17, 2020, we issued an additional US\$250.0 million aggregate principal amount of 6.95% senior notes due 2023, which have been consolidated and form a single series with the Original 2023 Notes issued by the Company (together with the Original 2023 Notes, the “2023 Notes”). The 2023 Notes are listed on the SGX-ST. As of the date of this offering memorandum, we had a total amount of US\$420.0 million principal amount of the 2023 Notes outstanding.

Guarantee

The obligations pursuant to the 2023 Notes are guaranteed by certain of our existing subsidiaries, or the 2023 Subsidiary Guarantors, and by certain of our existing joint venture subsidiaries, or the 2023 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2023 Indenture. We refer to these guarantees as the “2023 Subsidiary Guarantees” and the “2023 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a 2023 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a 2023 JV Subsidiary Guarantee.

Each of the 2023 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the 2023 Notes.

Collateral

The capital stock of the 2023 Subsidiary Guarantors (the “Shared Collateral”) is currently pledged pursuant to share pledges (the “Share Pledges”) dated August 15, 2018, October 12, 2018 and December 28, 2018, together with the Intercreditor Agreement, to secure on a pari passu basis our obligations under (i) the 2018 Facility, (ii) the 2019 Facility, (iii) the 2023 Notes and the subsidiary guarantees provided by the guarantor pledgors under the 2023 Notes Indenture, (iv) the Second 2022 Notes and the subsidiary guarantees provided by the guarantor pledgors under the Second 2022 Notes Indenture, (v) the First 2020 Facility, (vi) the Second 2020 Facility, (vii) the 2024 Notes, (viii) the 2025 Notes, (ix) the 2026 Notes, (x) the First 2021 Facility, (xi) the Second 2021 Facility, (xii) the Fourth 2022 Notes, (xiii) the Third 2021 Facility, (xiv) the Fifth 2022 Notes, and the subsidiary guarantees provided by the guarantor pledgors under the Indenture, in each case, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the lenders under the 2018 Facility, the lenders under the 2019 Facility, the holders of the 2023 Notes, the holders of the Second 2022 Notes, the lenders under the First 2020 Facility, the lenders under the Second 2020 Facility, the holders of the 2024 Notes, the holders of the 2025 Notes, the holders of the 2026 Notes, the lenders under the First 2021 Facility, the lenders under the Second 2021 Facility, the holders of the Fourth 2022 Notes, the lenders under the Third 2021 Facility and the holders of the Fifth 2022 Notes in respect of the security interests created by the Shared Collateral that is shared on a pari passu basis among them. Additionally, the Intercreditor Agreement provides for the Security Agent to exercise remedies in respect thereof upon the occurrence of an event of default under the secured obligations and to act as specified in the Intercreditor Agreement.

We expect the Trustee for the Notes to become a secured party under the Intercreditor Agreement by executing an accession deed to the Intercreditor Agreement. The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each Subsidiary Guarantor Pledgor may in the future incur additional permitted pari passu secured indebtedness which would be secured by the Collateral on a pari passu basis with the Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility, the Fifth 2022 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors relating to these securities, subject to the Intercreditor Agreement.

Interest

The 2023 Notes bear interest at a rate of 6.95% per annum. Payable semi-annually in arrears on January 23 and July 23 of each year, commencing on January 23, 2020.

Covenants

Subject to certain conditions and exceptions, the 2023 Notes Indenture, each of the related 2023 Subsidiary Guarantees and each of the 2023 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;

- (i) entering into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer;
- (j) assets or make intercompany loans;
- (k) entering into transactions with shareholders or affiliates; and
- (l) effecting a consolidation or merger.

Events of default

The events of default under the 2023 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the 2023 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the 2023 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the 2023 Notes Indenture or under the 2023 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the 2023 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the 2023 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the 2023 Notes and the 2023 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the 2023 Notes Indenture and the relevant security documents provided under the 2023 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the 2023 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the 2023 Notes to be immediately due and payable.

Redemption

At any time prior to July 23, 2021, 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 (but not including) the redemption date.

At any time and from time to time on or after July 23, 2021, we may at our option redeem the 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 each of the years indicated below.

Period	Redemption Price
2021	103.475%
2022	101.7375%

At any time and from time to time prior to July 23, 2021, 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 shares in an equity offering at a redemption price equal to 106.95% of the principal amount of the applicable 2023 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2023 Notes originally issued on the issue date of the 2023 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Second 2022 Notes

On November 8, 2019, we entered into an indenture (the “Second 2022 Indenture”), pursuant to which we issued an aggregate principal amount of US\$300.0 million 7.125% Senior Notes due 2022 (the “Second 2022 Notes”). As of the date of this offering memorandum, we had a total amount of US\$300.0 million principal amount of the Second 2022 Notes outstanding.

Guarantee

The obligations pursuant to the Second 2022 Notes are guaranteed by certain of our existing subsidiaries, or the Second 2022 Subsidiary Guarantors, and by certain of our existing joint venture subsidiaries, or the Second 2022 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the Second 2022 Indenture. We refer to these guarantees as the “Second 2022 Subsidiary Guarantees” and the “Second 2022 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a Second 2022 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a Second 2022 JV Subsidiary Guarantee.

Each of the Second 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the Second 2022 Notes.

Collateral

The Second 2022 Notes and the subsidiary guarantees provided by the Second 2022 Subsidiary Guarantors are secured by Shared Collateral. See “— 2023 Notes — Collateral.”

Interest

The Second 2022 Notes bear interest at a rate of 7.125% per annum. Payable semi-annually in arrears on May 8 and November 8 of each year, commencing on May 8, 2020.

Covenants

Subject to certain conditions and exceptions, the Second 2022 Notes Indenture, each of the related Second 2022 Subsidiary Guarantees and each of the Second 2022 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;

- (i) entering into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (j) entering into transactions with shareholders or affiliates; and
- (k) effecting a consolidation or merger.

Events of default

The events of default under the Second 2022 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the Second 2022 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the Second 2022 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the Second 2022 Notes Indenture or under the Second 2022 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the Second 2022 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the Second 2022 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the Second 2022 Notes and the Second 2022 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the Second 2022 Notes Indenture and the relevant security documents provided under the Second 2022 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Second 2022 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the Second 2022 Notes to be immediately due and payable.

Redemption

At any time prior to November 8, 2021, we may at our option redeem the Second 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Second 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time on or after November 8, 2021, we may at our option redeem the Second 2022 Notes, in whole or in part, at a redemption price equal to 103.5625% plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on November 8, 2021.

At any time and from time to time prior to November 8, 2021, we may redeem up to 35% of the aggregate principal amount of the Second 2022 Notes with the net cash proceeds of one or more sales of our shares in an equity offering at a redemption price equal to 107.125% of the principal amount of the Second 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

2024 Notes

On August 10, 2020, we entered into an indenture (the “2024 Indenture”), pursuant to which we issued an aggregate principal amount of US\$200.0 million 6.25% Senior Notes due 2024 (the “Original 2024 Notes”). On September 29, 2020, we issued an additional US\$150 million aggregate principal amount of 6.25% senior notes due 2024, and on December 15, 2021, we issued a further US\$150.0 million aggregate principal amount of 6.25% senior notes due 2024, both of which have been consolidated and form a single series with the Original 2024 Notes issued by the Company (together with the Original 2024 Notes, the “2024 Notes”). The 2024 Notes are listed on the SGX-ST. As of the date of this offering memorandum, we had a total amount of US\$500.0 million principal amount of the 2024 Notes outstanding.

Guarantee

The obligations pursuant to the 2024 Notes are guaranteed by certain of our existing subsidiaries, or the 2024 Subsidiary Guarantors, and by certain of our existing joint venture subsidiaries, or the 2024 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2024 Indenture. We refer to these guarantees as the “2024 Subsidiary Guarantees” and the “2024 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a 2024 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a 2024 JV Subsidiary Guarantee.

Each of the 2024 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the 2024 Notes.

Collateral

The 2024 Notes and the subsidiary guarantees provided by the 2024 Subsidiary Guarantors are secured by Shared Collateral. See “— 2023 Notes — Collateral.”

Interest

The 2024 Notes bear interest at a rate of 6.25% per annum. Payable semi-annually in arrears on February 10 and August 10 of each year, commencing on February 10, 2021.

Covenants

Subject to certain conditions and exceptions, the 2024 Notes Indenture, each of the related 2024 Subsidiary Guarantees and each of the 2024 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;
- (i) entering into agreements that restrict certain of its subsidiaries’ ability to pay dividends, transfer;
- (j) entering into transactions with shareholders or affiliates; and
- (k) effecting a consolidation or merger.

Events of default

The events of default under the 2024 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the 2024 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the 2024 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the 2024 Notes Indenture or under the 2024 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the 2024 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the 2024 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the 2024 Notes and the 2024 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the 2024 Notes Indenture and the relevant security documents provided under the 2024 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the 2024 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the 2024 Notes to be immediately due and payable.

Redemption

At any time prior to August 10, 2022, we may at our 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 (but not including) the redemption date.

At any time and from time to time on or after August 10, 2022, we may at our option 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 (but not including) the redemption date if redeemed during the twelve-month period beginning on August 10 of each of the years indicated below.

Period	Redemption Price
2022	103.125%
2023	101.5625%

At any time and from time to time prior to August 10, 2022, 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 our shares in an equity offering at a redemption price equal to 106.25% of the principal amount of the applicable 2024 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2024 Notes originally issued on the issue date of the 2024 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

2026 Notes

On May 13, 2021, we entered into an indenture (the “2026 Indenture”), pursuant to which we issued an aggregate principal amount of US\$200.0 million 4.9% Senior Notes due 2026 (the “2026 Notes”). The 2026 Notes are listed on the SGX-ST. As of the date of this offering memorandum, we had a total amount of US\$200.0 million principal amount of the 2026 Notes outstanding.

Guarantee

The obligations pursuant to the 2026 Notes are guaranteed by certain of our existing subsidiaries, or the 2026 Subsidiary Guarantors, and by certain of our existing joint venture subsidiaries, or the 2026 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2026 Indenture. We refer to these guarantees as the “2026 Subsidiary Guarantees” and the “2026 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a 2026 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a 2026 JV Subsidiary Guarantee.

Each of the 2026 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the 2026 Notes.

Collateral

The 2026 Notes and the subsidiary guarantees provided by the 2026 Subsidiary Guarantors are secured by Shared Collateral. See “ — 2023 Notes — Collateral.”

Interest

The 2026 Notes bear interest at a rate of 4.9% per annum, payable semi-annually in arrears on May 13 and November 13 of each year, commencing on November 13, 2021.

Covenants

Subject to certain conditions and exceptions, the 2026 Notes Indenture, each of the related 2026 Subsidiary Guarantees and each of the 2026 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;
- (i) entering into agreements that restrict certain of its subsidiaries’ ability to pay dividends, transfer;
- (j) entering into transactions with shareholders or affiliates; and
- (k) effecting a consolidation or merger.

Events of default

The events of default under the 2026 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30

consecutive days; (c) default in the performance or breach of the provisions of those covenants under the 2026 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the 2026 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the 2026 Notes Indenture or under the 2026 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the 2026 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the 2026 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the 2026 Notes and the 2026 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the 2026 Notes Indenture and the relevant security documents provided under the 2026 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the 2026 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the 2026 Notes to be immediately due and payable.

Redemption

At any time prior to May 13, 2024, we may at our option redeem the 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2026 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time on or after May 13, 2024, we may at our option redeem the 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 May 13 of each of the years indicated below.

Period	Redemption Price
2024	102.45%
2025	101.225%

At any time and from time to time prior to May 13, 2024, we may redeem up to 35% of the aggregate principal amount of the 2026 Notes with the net cash proceeds of one or more sales of our shares in an equity offering at a redemption price equal to 104.9% of the principal amount of the applicable 2026 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2026 Notes originally issued on the issue date of the 2026 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Fourth 2022 Notes

On July 26, 2021, we entered into an indenture (the “Fourth 2022 Indenture”), pursuant to which we issued an aggregate principal amount of US\$200.0 million 4.0% Senior Notes due 2022 (the “Fourth 2022 Notes”). The Fourth 2022 Notes are listed on the SGX-ST. As of the date of this offering memorandum, we had a total amount of US\$200.0 million principal amount of the Fourth 2022 Notes outstanding.

Guarantee

The obligations pursuant to the Fourth 2022 Notes are guaranteed by certain of our existing subsidiaries, or the Fourth 2022 Subsidiary Guarantors, and by certain of our existing joint venture subsidiaries, or the Fourth 2022 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the Fourth 2022 Indenture. We refer to these guarantees as the “Fourth 2022 Subsidiary Guarantees” and the “Fourth 2022 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a Fourth 2022 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a Fourth 2022 JV Subsidiary Guarantee.

Each of the Fourth 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the Fourth 2022 Notes.

Collateral

The Fourth 2022 Notes and the subsidiary guarantees provided by the Fourth 2022 Subsidiary Guarantors are secured by Shared Collateral. See “— 2023 Notes — Notes Collateral.”

Interest

The Fourth 2022 Notes bear interest at a rate of 4.0% per annum, payable in arrears on January 26, 2022 and July 25, 2022.

Covenants

Subject to certain conditions and exceptions, the Fourth 2022 Notes Indenture, each of the related Fourth 2022 Subsidiary Guarantees and each of the Fourth 2022 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;
- (i) entering into agreements that restrict certain of its subsidiaries’ ability to pay dividends, transfer;
- (j) entering into transactions with shareholders or affiliates; and
- (k) effecting a consolidation or merger.

Events of default

The events of default under the Fourth 2022 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the Fourth 2022 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the Fourth 2022 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the Fourth 2022 Notes Indenture or under the Fourth 2022 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the Fourth 2022 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the Fourth 2022 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the Fourth 2022 Notes and the Fourth 2022 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the Fourth 2022 Notes Indenture and the relevant security documents provided under the Fourth 2022 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Fourth 2022 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the Fourth 2022 Notes to be immediately due and payable.

Optional Redemption

At any time and from time to time following the occurrence of the completion of registration of foreign debt in respect of the offering of senior notes outside the PRC after July 26, 2021 and obtaining such certificate(s) of registration from the NDRC in accordance with the NDRC Circular, the Company may redeem the Fourth 2022 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Fourth 2022 Notes, together with accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time prior to July 25, 2022, the Company may at its option redeem the Fourth 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Fourth 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, (but not including) to the redemption date.

At any time and from time to time prior to July 25, 2022 the Company may redeem up to 35% of the aggregate principal amount of the Fourth 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 equal to 104.0% of the principal amount of the applicable Fourth 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Fourth 2022 Notes originally issued on the issue date of the Fourth 2022 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Fifth 2022 Notes

On October 5, 2021, we entered into an indenture (the “Fifth 2022 Indenture”), pursuant to which we issued an aggregate principal amount of US\$100.0 million 5.0% Senior Notes due 2022 (the “Fifth 2022 Notes”). The Fifth 2022 Notes are listed on the SGX-ST. As of the date of this offering memorandum, we had a total amount of US\$100.0 million principal amount of the Fifth 2022 Notes outstanding.

Guarantee

The obligations pursuant to the Fifth 2022 Notes are guaranteed by certain of our existing subsidiaries, or the Fifth 2022 Subsidiary Guarantors, and by certain of our existing joint venture subsidiaries, or the Fifth 2022 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the Fifth 2022 Indenture. We refer to these guarantees as the “Fifth 2022 Subsidiary Guarantees” and the “Fifth 2022 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a Fifth 2022 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a Fifth 2022 JV Subsidiary Guarantee.

Each of the Fifth 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the Fifth 2022 Notes.

Collateral

The Fifth 2022 Notes and the subsidiary guarantees provided by the Fifth 2022 Subsidiary Guarantors are secured by Shared Collateral. See “— 2023 Notes — Notes Collateral.”

Interest

The Fifth 2022 Notes bear interest at a rate of 5.0% per annum, payable in arrears on April 5, 2022 and October 3, 2022.

Covenants

Subject to certain conditions and exceptions, the Fifth 2022 Notes Indenture, each of the related Fifth 2022 Subsidiary Guarantees and each of the Fifth 2022 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;
- (i) entering into agreements that restrict certain of its subsidiaries’ ability to pay dividends, transfer;
- (j) entering into transactions with shareholders or affiliates; and
- (k) effecting a consolidation or merger.

Events of default

The events of default under the Fifth 2022 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the Fifth 2022 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the Fifth 2022 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the Fifth 2022 Notes Indenture or under the Fifth 2022 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the Fifth 2022 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the Fifth 2022 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the Fifth 2022 Notes and the Fifth 2022 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the Fifth 2022 Notes Indenture and the relevant security documents provided under the Fifth 2022 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Fifth 2022 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the Fifth 2022 Notes to be immediately due and payable.

Optional Redemption

At any time and from time to time following the occurrence of the completion of registration of foreign debt in respect of the offering of senior notes outside the PRC after October 5, 2021 and obtaining such certificate(s) of registration from the NDRC in accordance with the NDRC Circular, the Company may redeem the Fifth 2022 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Fifth 2022 Notes, together with accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time prior to October 3, 2022, the Company may at its option redeem the Fifth 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Fifth 2022 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, (but not including) to the redemption date.

At any time and from time to time prior to October 3, 2022 the Company may redeem up to 35% of the aggregate principal amount of the Fifth 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 equal to 105.0% of the principal amount of the applicable Fifth 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Fifth 2022 Notes originally issued on the issue date of the Fifth 2022 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The 2025 Notes

On October 30, 2020, we entered into an indenture (the “2025 Notes Indenture”), pursuant to which we issued an aggregate principal amount of US\$200.0 million 5.95% Senior Notes due 2025, on December 28, 2020, we issued an additional US\$100.0 million aggregate principal amount of 5.95% Senior Notes due 2025, on January 11, 2021, we issued a further additional aggregate principal amount of US\$100.0 million 5.95% Senior Notes due 2025 and on December 23, 2021, we issued a further additional aggregate principal amount of US\$135.0 million 5.95 Senior Notes due 2025 (together, the “2025 Notes”). The 2025 Notes are listed on the SGX-ST. As of the date of this offering memorandum, we had a total amount of US\$535 million principal amount of the 2025 Notes outstanding.

Guarantee

The obligations pursuant to the 2025 Notes are guaranteed by our existing subsidiaries, or the 2025 Subsidiary Guarantors, and by our existing joint venture subsidiaries, or the 2025 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2025 Indenture. We refer to these guarantees as the “2025 Subsidiary Guarantees” and the “2025 JV Subsidiary Guarantees”, respectively. Under certain circumstances and subject to certain conditions, a 2025 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a 2025 JV Subsidiary Guarantee.

Each of the 2025 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the 2025 Notes.

Collateral

The 2025 Notes and the subsidiary guarantees provided by the 2025 Subsidiary Guarantors are secured by Shared Collateral. See “— First 2021 Notes — Collateral.”

Interest

The 2025 Notes bear interest at a rate of 5.95% per annum, payable semi-annually in arrears on April 30 and October 30 of each year, commencing on April 30, 2021.

Covenants

Subject to certain conditions and exceptions, the 2025 Notes Indenture, each of the related 2025 Subsidiary Guarantees and each of the 2025 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- (a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- (b) declaring dividends on its capital stock or purchasing or redeeming capital stock;
- (c) making investments or other specified restricted investments;
- (d) issuing or selling capital stock of certain of its subsidiaries;
- (e) guaranteeing indebtedness of certain of its subsidiaries;
- (f) selling assets;
- (g) creating liens;
- (h) entering into sale and leaseback transactions;
- (i) entering into agreements that restrict certain of its subsidiaries’ ability to pay dividends, transfer;
- (j) entering into transactions with shareholders or affiliates; and
- (k) effecting a consolidation or merger.

Events of default

The events of default under the 2025 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the 2025 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the 2025 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the 2025 Notes Indenture or under the 2025 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US\$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the 2025 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the 2025 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the 2025 Notes and the 2025 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the 2025 Notes Indenture and the relevant security documents provided under the 2025 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the 2025 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the 2025 Notes to be immediately due and payable.

Redemption

At any time prior to April 30, 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 (but not including) the redemption date.

At any time and from time to time on or after April 30, 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 30 of each of the years indicated below.

Period	Redemption Price
2023	102.975%
2024	101.488%

At any time and from time to time prior to April 30, 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 shares in an equity offering at a redemption price equal to 106.25% of the principal amount of the applicable 2025 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2025 Notes originally issued on the issue date of the 2025 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Perpetual Capital Instrument

In 2019, our PRC wholly-owned subsidiary Shanghai Powerlong Industrial Development (Group) Co., Ltd. (上海寶龍實業發展(集團)有限公司) issued a perpetual capital instrument with principal amount of RMB500.0 million (US\$77.4 million). This perpetual capital instrument is considered as “equity” for our accounting purposes.

2018 Facility

On July 5, 2018, we entered into a facility agreement, as amended and supplemented from time to time (the “2018 Facility”) with, among others, The Hongkong and Shanghai Banking Corporation Limited, as the mandated lead arranger and bookrunner, coordinating arranger and the agent, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia Limited and Tai Fung Bank Limited, as the lenders, for a dual tranche and dual currency loan facility in an aggregate amount of HK\$824.0 million (US\$106.1 million) (with an accordion feature of up to US\$200,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. The 2018 Facility is comprised of two tranches: tranche A includes a term loan facility in Hong Kong Dollars, and tranche B includes a term loan facility in United States Dollars. As of the date of this offering memorandum, an aggregate of approximately HK\$993.2 million (US\$127.9 million) of the facility was outstanding.

Interest

Under the 2018 Facility, the applicable rate of interest for tranche A, including the current outstanding amount under the 2018 Facility, is the Hong Kong Interbank Offered Rate plus 3.40% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.40% per annum.

Maturity and Prepayment

The 2018 Facility matures on January 5, 2022. The 2018 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the 2018 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the 2018 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the 2018 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the 2018 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days’ notice to The Hongkong and Shanghai Banking Corporation Limited as the agent, subject to the terms of the 2018 Facility Agreement.

Guarantee and Indemnity

Our obligations under the 2018 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the 2018 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;
- our amount of any dividend of distribution in cash declared and/or paid by it in respect of any relevant period shall not exceed 30% of our consolidated net profit after tax for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed 1.2:1.

Collateral

The 2018 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The 2018 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the 2018 Facility Agreement.

2019 Facility

On July 8, 2019, we entered into a facility agreement, as amended and supplemented from time to time (the “2019 Facility”) with, among others, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macao) Limited and Tai Fung Bank Limited as the mandated lead arrangers, bookrunners and the lenders, for a dual tranche and dual currency loan facility in an aggregate amount of HK\$514.8 million (US\$66.3 million) and US\$40.0 million (with an accordion feature of up to US\$200,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. The 2019 Facility is comprised of two tranches: tranche A includes a term loan facility in Hong Kong Dollars, and tranche B includes a term loan facility in United States Dollars. As of the date of this offering memorandum, an aggregate of approximately US\$99.7 million of the facility was outstanding.

Interest

Under the 2019 Facility, the applicable rate of interest for tranche A, including the current outstanding amount under the 2019 Facility, is the Hong Kong Interbank Offered Rate plus 3.40% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.40% per annum.

Maturity and Prepayment

The 2019 Facility matures on January 8, 2023. The 2019 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the 2019 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the 2019 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the 2019 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the 2019 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days’ notice to The CMB Wing Lung Bank Limited as the agent, subject to the terms of the 2019 Facility Agreement.

Guarantee and Indemnity

Our obligations under the 2019 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the 2019 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;

- Save in respect of the relevant period ending December 31, 2019, the amount of any dividend or distribution in cash declared and/or paid by it in respect of any relevant period shall not exceed 30% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period and In respect of the relevant period ending December 31, 2019, the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 40% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed: (i) 1.20:1 for the relevant periods ending June 30, 2019 and December 31, 2019; (ii) 1.15:1 for the relevant periods ending June 30, 2020 and December 31, 2020; and (iii) 1.10:1 for the relevant periods ending June 30, 2021 and any relevant period thereafter.

Collateral

The 2019 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The 2019 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the 2019 Facility Agreement.

First 2020 Facility

On May 13, 2020, we entered into a facility agreement, as amended and supplemented from time to time (the “First 2020 Facility”) with, among others, Industrial and Commercial Bank of China (Macau) Limited, as arranger and agent, and the lenders, for a triple tranche and dual currency loan facility in an aggregate amount of HK\$824.0 million (US\$106.1 million) (with incremental facilities of up to US\$200,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. The First 2020 Facility is comprised of three tranches: tranche A and tranche C include a term loan facility in Hong Kong Dollars and tranche B includes a term loan facility in United States Dollars. As of the date of this offering memorandum, an aggregate of approximately HK\$824.0 million (US\$106.1 million) of the facility was outstanding.

Interest

Under the First 2020 Facility, the applicable rate of interest for tranche A and tranche C, including the current outstanding amount under the 2020 Facility, is the Hong Kong Interbank Offered Rate plus 3.30% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.30% per annum.

Maturity and Prepayment

The First 2020 Facility matures on November 13, 2023. The First 2020 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the First 2020 Facility Agreement, 15.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the First 2020 Facility Agreement, 15.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the First 2020 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the First 2020 Facility Agreement, 55.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days’ notice to Industrial and Commercial Bank of China (Macau) Limited as the agent, subject to the terms of the First 2020 Facility Agreement.

Guarantee and Indemnity

Our obligations under the First 2020 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the First 2020 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;
- the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 40% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed: (i) 1.15:1 for the relevant periods ending June 30, 2020 and December 31, 2020; (ii) 1.10:1 for the relevant periods ending June 30, 2021; and (iii) 1.0:1 for the relevant periods ending December 31, 2021 and any relevant period thereafter.

Collateral

The First 2020 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The First 2020 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the First 2020 Facility Agreement.

Second 2020 Facility

On June 30, 2020, we entered into a facility agreement, as amended and supplemented from time to time (the “Second 2020 Facility”) with, among others, China CITIC Bank International Limited, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), as mandated lead arranger and bookrunner, the financial institutions set out therein, as original lenders, and HSBC as the agent, for a dual tranche and dual currency loan facility in an aggregate amount of HK\$546,000,000 (US\$70.3 million) and US\$50,000,000 (with incremental facilities up to US\$300,000,000). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. The Second 2020 Facility is comprised of three tranches: tranche A includes a term loan facility in Hong Kong dollars and tranche B includes a term loan facility in United States dollars. As of the date of this offering memorandum, an aggregate of approximately US\$120.3 million of the facility was outstanding.

Interest

Under the Second 2020 Facility, the applicable rate of interest for tranche A, including the current outstanding amount under the Second 2020 Facility, is the Hong Kong Interbank Offered Rate plus 3.38% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.38% per annum.

Maturity and Prepayment

The Second 2020 Facility matures on December 30, 2023. The Second 2020 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the Second 2020 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the Second 2020 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the Second 2020 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the Second 2020 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days' notice to HSBC as the agent, subject to the terms of the Second 2020 Facility Agreement.

Guarantee and Indemnity

Our obligations under the Second 2020 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the Second 2020 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;
- the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 40% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed: (i) 1.15:1 for the relevant periods ending December 31, 2020; (ii) 1.10:1 for the relevant periods commencing on or after January 1, 2021.

Collateral

The Second 2020 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The Second 2020 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the Second 2020 Facility Agreement.

First 2021 Facility

On June 3, 2021, we entered into a facility agreement, as amended and supplemented from time to time (the “First 2021 Facility”) with, among others, the financial institutions set out therein, as original lenders, and Tai Fung Bank Limited (“Tai Fung”) as the agent, for a loan facility in an aggregate amount of HK\$400,000,000 (approximately US\$51.5 million). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. As of the date of this offering memorandum, an aggregate of HK\$400.0 million (approximately US\$51.5 million) of the facility was outstanding.

Interest

Under the First 2021 Facility, the applicable rate of interest is the Hong Kong Interbank Offered Rate plus 3.1% per annum.

Maturity and Prepayment

The First 2021 Facility matures on December 3, 2024. The First 2021 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the First 2021 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the First 2021 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the First 2021 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the First 2021 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days' notice to Tai Fung as the agent, subject to the terms of the First 2021 Facility Agreement.

Guarantee and Indemnity

Our obligations under the First 2021 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the First 2021 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;
- the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 40% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed 1.10:1 for the relevant periods commencing on or after January 1, 2021.

Collateral

The First 2021 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The First 2021 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the First 2021 Facility Agreement.

Second 2021 Facility

On July 9, 2021, we entered into a facility agreement, as amended and supplemented from time to time (the “Second 2021 Facility”) with, among others, The Bank of East Asia, Limited, Macau Branch, and Luso International Banking Limited (“Luso”), as mandated lead arranger and coordinator, the financial institutions set out therein, as original lenders, and Luso as the agent, for a triple tranche loan facility in an aggregate amount of US\$100,000,000 (with incremental facilities to increase the total commitments up to a maximum of US\$200,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company.

The Second 2021 Facility is comprised of three tranches: tranche A and tranche C include term loan facilities in Hong Kong dollars and tranche B includes a term loan facility in United States dollars. As of the date of this offering memorandum, an aggregate of US\$100.0 million of the facility was outstanding.

Interest

Under the Second 2021 Facility, the applicable rate of interest for tranche A and tranche C is the Hong Kong Interbank Offered Rate plus 3.25% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.25% per annum.

Maturity and Prepayment

The Second 2021 Facility matures on January 9, 2025. The Second 2021 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the Second 2021 Facility Agreement, 15.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the Second 2021 Facility Agreement, 15.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the Second 2021 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the Second 2020 Facility Agreement, 55.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days’ notice to Luso as the agent, subject to the terms of the Second 2021 Facility Agreement.

Guarantee and Indemnity

Our obligations under the Second 2021 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the Second 2021 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.50:1;
- the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 45% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed: 1.10:1 for each period of 12 months ending on the last day of the Company’s financial year and each period of 12 months ending on the last day of the Company’s financial half-year.

Collateral

The Second 2021 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The Second 2021 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the Second 2021 Facility Agreement.

Third 2021 Facility

On August 9, 2021, we entered into a facility agreement, as amended and supplemented from time to time (the “Third 2021 Facility”) with, among others, Bank of Communications (Hong Kong) Limited, The Bank of East Asia, Limited, Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), as mandated lead arranger and coordinator, the financial institutions set out therein, as original lenders, and HSBC as the agent, for a dual tranche term loan facility in an aggregate amount of HK\$858,000,000 (with incremental facilities of up to a further US\$100,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing medium to long term offshore financial indebtedness of the Group which will become due within one year.

The Third 2021 Facility is comprised of two tranches: tranche A includes term loan facilities in Hong Kong dollars and tranche B includes a term loan facility in United States dollars. As of the date of this offering memorandum, an aggregate of HK\$858.0 million (approximately US\$110.5 million) of the facility was outstanding.

Interest

Under the Third 2021 Facility, the applicable rate of interest for tranche A is the Hong Kong Interbank Offered Rate plus 3.25% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.25% per annum.

Maturity and Prepayment

The Third 2021 Facility matures on February 9, 2025. The Third 2021 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the Third 2021 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the Third 2021 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the Third 2021 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the Third 2020 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 days’ notice to HSBC as the agent, subject to the terms of the Third 2021 Facility Agreement.

Guarantee and Indemnity

Our obligations under the Third 2021 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the Third 2021 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;

- the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 45% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and
- our ratio of consolidated net borrowings to consolidated tangible net worth shall not at any time be more than 1.1:1.

Collateral

The Third 2021 Facility is secured by the Shared Collateral. See “— 2023 Notes — Collateral.”

Events of Default

The Third 2021 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the Third 2021 Facility Agreement.

Corporate bonds

On July 15, 2019, Shanghai Powerlong completed the non-public offering of 7.40% private corporate bonds with an aggregate principal of RMB600.0 million.

On September 6, 2019, Shanghai Powerlong completed the public offering of 6.50% commercial mortgage backed securities with an aggregate principal of RMB900.0 million.

On November 20, 2019, Shanghai Powerlong issued 7.20% corporate bonds with an aggregate principal amount of RMB1,070.0 million.

On March 19, 2020, Shanghai Powerlong issued 6.0% corporate bonds specialized in rental housing with an aggregated principal amount of RMB1.5 billion.

On August 6, 2020, Shanghai Powerlong issued 6.5% corporate bonds specialized in rental housing with an aggregate principal amount of RMB1.0 billion.

On August 26, 2020, Shanghai Powerlong issued 6.5% three-year corporate bonds with and aggregate principal amount of RMB1.0 billion.

On October 30, 2020, Shanghai Powerlong completed the public offering of 5.35% commercial mortgage backed securities with an aggregate principal amount of RMB1,503 million.

On January 11, 2021, Shanghai Powerlong issued 6.6% five-year corporate bonds with an aggregate principal amount of RMB1.0 billion.

On January 25, 2021, Shanghai Powerlong issued 5.7% 270-days super short term commercial paper with an aggregate principal amount of RMB440.0 million.

On April 16, 2021, Shanghai Powerlong issued 6.5% five-year corporate bonds with an aggregate principal amount of RMB1.5 billion.

On June 4, 2021, Shanghai Powerlong issued 5.8% three-year medium-term notes with an aggregate principal amount of RMB1.0 billion.

On June 10, 2021, Shanghai Powerlong issued 5.7% five-year corporate bonds with an aggregate principal amount of RMB470.0 million.

On August 30, 2021, Shanghai Powerlong issued 5.0% 180-days super short term commercial paper with an aggregate principal amount of RMB300.0 million.

DESCRIPTION OF THE JULY 2023 NEW NOTES

For purposes of this “Description of the July 2023 New Notes,” the term “Notes” refers to the July 2023 New Notes, and the term “Company” refers only to Powerlong Real Estate Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that 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 provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under the indenture (the “Indenture”), dated as of Original Issue Date, among the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor, 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 and the Intercreditor Agreement. 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 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 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 against the Company with respect to all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and JV Subsidiary Guarantees”, “— Replacement of Subsidiary Guarantees with 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, 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.

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” and in the caption “— Security” below, the Notes will be secured by the Collateral as described below under the caption “— Security” and will:

- be entitled to a Lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness;
- 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); and
- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors to the extent of the Collateral charged by each Subsidiary Guarantor Pledgor securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on July 14, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the July 2023 New Notes” include any Additional Notes that are actually issued. The Notes will bear interest at 4.0% per annum from July 15, 2022, payable in arrears on January 15, 2023 and July 14, 2023 (each an “Interest Payment Date”).

Interest on the Notes will be paid to Note holders (“Holders”) of record at the close of business on December 31, 2022 or June 29, 2023 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 Note 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, premium or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Trustee, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. 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\$150,000 and integral multiples of US\$1 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, currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date consist of China Alliance Worldwide Limited, Ever Famous (Hong Kong) Limited, Powerlong (BVI) I Limited, Powerlong (BVI) Ii Limited, Powerlong (BVI) Culture Group Holdings Limited, Powerlong (BVI) IV Limited, Powerlong (BVI) Asset Management Holdings Limited, Powerlong (Hong Kong) 1 Limited, Powerlong (Hong Kong) 2 Limited, Powerlong Art Culture Group Holdings Limited, Powerlong Land Development Limited, Powerlong Real Estate (BVI) Holdings Limited, Powerlong Real Estate (Hong Kong) Holdings Limited, Smart Line Development Limited, Next Success Estates Limited, Powerlong Source Limited, Everland Development Limited, Fame State (Hong Kong) Limited, Powerlong Asset Management Limited, Powerlong (BVI) Hotel Group Holdings Limited, Welly Dragon (Hong Kong) Limited, Allied Creation (Hong Kong) Limited and Powerlong (Hong Kong) Hotel Group Holdings Limited (collectively, the “Initial Subsidiary Guarantors”). All of the Initial Subsidiary Guarantors are holding companies that do not have significant operations. Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “Initial Non-Guarantor Subsidiaries”) nor PRC Restricted Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that 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 Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

The initial JV Subsidiary Guarantors that will execute the Indenture on the Original Issue Date are Baohui Real Estate (Hong Kong) Holdings Limited, Powerlong Golden Wheel International Famous Limited, Powerlong Golden Wheel Coral Company Limited and Powerlong Xingchuang (Hong Kong) Limited. Each of the JV Subsidiary Guarantors is a holding company that does not have significant operations. The JV Subsidiary Guarantee of each 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 will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- is limited to the JV Entitlement Amount and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, New Non-Guarantor Subsidiaries, Listed Subsidiaries or Exempted Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date (other than a JV Subsidiary Guarantor) is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiary (and its Restricted Subsidiaries) organized under laws outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be a Listed Subsidiary or an Exempted Subsidiary (the “New Non-Guarantor Subsidiaries”), *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Listed Subsidiaries and Exempted Subsidiaries) do not account for more than 25% of the Total Assets of the Company.

In the case of a future Restricted Subsidiary (1) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (2) that is incorporated in any jurisdiction other than the PRC, and (3) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary

Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (1) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (2) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, in the case of the Security Documents, also to the Security Agent:
 - (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 the Exempted Subsidiaries and Listed 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 and the Holders 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 Security Agent 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 Officer’s Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “— Permitted *Pari Passu* Secured Indebtedness,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will be secured by the Collateral, pledged by it as described below under the caption “— Security” and:

- will be entitled to a Lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis with any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness; 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); and
- the JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured (each JV Subsidiary Guarantee is not required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due

and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantee, 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 Guarantee, as the case may be, will be reinstated with respect to such payments as though such payment had not been made.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or a JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee 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";
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- 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, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted

Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- 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 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 concurrently with 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 Security Agent 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 each 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 that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries and other than Listed Subsidiaries and Exempted Subsidiaries) do not account for more than 25% of the Total Assets of the Company. 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 of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee 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.

No release and discharge of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer’s Certificate stating that all requirements and conditions precedent relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to conclusively rely on such Officer’s Certificate without investigating the accuracy, authenticity and validity of the certificate and without any liability or responsibility to any person.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and in the case of the Security Documents, also to the Security Agent:
 - (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 (other than Exempted Subsidiaries and Listed 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 Holders are 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 Security Agent for itself and for the benefit of the Trustee 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 Officer's Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries other than those designated in the definition of "Unrestricted Subsidiaries" under the caption "— Definitions" will be "Restricted 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.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee, the Security Agent or the Holders until the Company has delivered to the Trustee and the Security Agent an Officer's Certificate stating that all requirements and conditions precedent relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Security

The obligations of the Company under the Notes and the Subsidiary Guarantors under the Subsidiary Guarantees will be secured by pledges by the Company and the Subsidiary Guarantor Pledgors, as the case may be, of the Capital Stock of all of the initial Subsidiary Guarantors and the JY Subsidiary Guarantors (the "Collateral") owned by the Company or the Subsidiary Guarantor Pledgors (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date.

The Indebtedness represented by the Notes and the Subsidiary Guarantees constitute “Permitted *Pari Passu* Indebtedness” under the terms of the Indenture and the Security Documents, including the share pledge agreements executed by the Company and the Subsidiary Guarantor Pledgors in favor of the Security Agent. Accordingly, upon execution of an accession deed to the Intercreditor Agreement (as defined below) by the Trustee and the other parties thereto, the Holders of the Notes have the benefit of the security interests created over the Collateral under the share pledge agreements.

The initial Subsidiary Guarantor Pledgors were Powerlong Real Estate (BVI) Holdings Limited, Powerlong (BVI) I Limited, Powerlong (BVI) II Limited, Powerlong Culture Group Holdings Limited, Powerlong (BVI) IV Limited, Powerlong Real Estate (Hong Kong) Holdings Limited, China Alliance Worldwide Limited, Powerlong (Hong Kong) 2 Limited, Powerlong (BVI) Asset Management Holdings Limited, Powerlong Land Development Limited, Powerlong (BVI) Hotel Group Holdings Limited and Smart Line Development Limited. The Capital Stock pledged by the Company and each initial Subsidiary Guarantor Pledgor will be that of the initial Subsidiary Guarantors, all of which are holding companies or special purpose companies that do not have significant operations or real property assets other than Capital Stock of the Non-Guarantor Subsidiaries.

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 JY Subsidiary Guarantor is established, the Capital Stock of such JY 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 JY Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Security Agent.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JY Subsidiary Guarantor) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC) after the Original Issue Date, as soon as practicable after such Person has become a Restricted Subsidiary, to secure 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 Collateral will be shared on a *pari passu* basis by the holders of the Notes and (i) the holders of the 2023 Notes, (ii) the lenders under the 2018 Facility, (iii) the lenders of the 2019 Facility, (iv) the holders of the First 2022 Notes, (v) the holders of the Second 2022 Notes, (vi) the lenders of the First 2020 Facility, (vii) the lenders of the Second 2020 Facility, (viii) the holders of the 2024 Notes, (ix) the holders of the 2025 Notes, (x) the holders of the Third 2022 Notes, (xi) the holders of the 2026 Notes, (xii) the lenders of the First 2021 Facility, (xiii) the lenders of the Second 2021 Facility, (xiv) the holders of the Fourth 2022 Notes, (xv) the lenders of the Third 2021 Facility, (xvi) the holders of the Fifth 2022 Notes and (xvii) the holders of any Permitted *Pari Passu* Secured Indebtedness. The 2023 Notes, the 2018 Facility, the 2019 Facility, the First 2022 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the Third 2022 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility and the Fifth 2022 Notes, collectively, are herein referred to as the “Existing *Pari Passu* Secured Indebtedness.” The amount of other Indebtedness secured by the Collateral (other than with respect to Permitted Liens) was nil. 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 secured indebtedness. The proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement (as defined below)) are unlikely to be sufficient to satisfy the Company’s and each Subsidiary Guarantor Pledgor’s obligations under the Notes and the Subsidiary Guarantees, and the Collateral 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. See “— Release of

Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — “The value of the Collateral will likely not be sufficient to satisfy our obligations under the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility, the Fifth 2022 Notes and other Permitted *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 and the Security Documents following an Event of Default (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), 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 on the Collateral *pari passu* with the Liens for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any *Pari Passu* Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any Subsidiary Guarantor Pledgor, “Permitted *Pari Passu* Secured Indebtedness”); *provided that* (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Security Agent an Opinion of Counsel and Officer’s Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee or the Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents 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 security or 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.

Neither the Trustee nor the Security Agent nor any of their officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, 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, except to the extent of any fraud, gross negligence or willful misconduct of the Trustee or the Security Agent.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors and the Security Agent, among others, entered into an intercreditor agreement dated March 9, 2011. The 2018 Facility agent on behalf of the lenders under the 2018 Facility, the 2019 Facility agent on behalf of the lenders under the 2019 Facility, the 2023 Notes Trustee on behalf of the holders of the 2023 Notes, the First 2022 Notes Trustee on behalf of the holders of the First 2022 Notes, the Second 2022 Notes Trustee on behalf of the holders of the Second 2022 Notes, the First 2020 Facility agent on behalf of the lenders under the First 2020 Facility, the Second 2020 Facility agent on behalf of the lenders under the Second 2020 Facility, the 2024 Notes Trustee on behalf of the holders of the 2024 Notes, the 2025 Notes Trustee on behalf of the holders of the 2025 Notes, the Third 2022 Notes Trustee on behalf of the holders of the Third 2022 Notes, the 2026 Notes Trustee on behalf of the holders of the 2026 Notes, the agent on behalf of the lenders under the First 2021 Facility, the agent on behalf of the lenders under the Second 2021 Facility, the Fourth 2022 Notes Trustee on behalf of the holders of the Fourth 2022 Notes, the agent on behalf of the lenders under the Third 2021 Facility, the Fifth 2022 Notes Trustee on behalf of the holders of the Fifth 2022 Notes, each executed accession deeds to such intercreditor agreement on July 6, 2018, July 8, 2019, July 26, 2019, November 8, 2019, May 13, 2020, June 30, 2020, August 10, 2020, October 30, 2020, April 14, 2021, May 13, 2021, June 3, 2021, July 9, 2021, July 26, 2021, August 9, 2021 and October 5, 2021, respectively (as supplemented by such accession deeds and as supplemented from time to time the “Existing Intercreditor Agreement”). On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will have executed an accession deed to the Existing Intercreditor Agreement to accede as a creditor to the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented from time to time pursuant to the terms thereof, the “Intercreditor Agreement”). The Intercreditor Agreement provides, among other things, (1) that the Secured Creditors thereunder will share equal priority and pro rata entitlement in and to the Collateral and that the Secured Liabilities shall rank *pan passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pan passu* among themselves; (2) for the conditions under which any Lien on such Collateral may be released; and (3) for the conditions under which the Security Agent will take enforcement actions with respect to such Collateral.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors have been granted to the Security Agent, subject to sharing under the Intercreditor Agreement. The Security Agent for itself and the creditors party to the Intercreditor Agreement holds such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by such creditors or their respective Creditor Representatives to exercise remedies in accordance with the Security Documents. The Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents and under the applicable Security Documents, to follow the instructions provided to it by such creditors or one or more of the Creditor Representatives representing such creditors under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Security Agent in accordance with written instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement provides that the Security Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement provides that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

- first, to the Security Agent to the extent necessary to reimburse the Security Agent for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the Security Documents and preserving the Collateral and all amounts for which the Security Agent is entitled to indemnification under the Security Documents;

- second, pro-rata, in or towards payment to the Trustee and other agents (including Agents) under the Indenture, as well as each of the Creditor Representatives under the Intercreditor Agreement for application against any fees, costs and expenses payable to them under the applicable Debt Document and any amount for which such Trustees and/or agents (including Agents) are entitled to indemnification under the applicable Debt Document.
- third, to the Trustee for the benefit of Holders and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative) on a pro rata basis; and
- fourth, any surplus remaining after such payments will be paid to the Company (for itself and the Subsidiary Guarantor Pledgors or whomever may be lawfully entitled thereto).

The Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security and/or prefunding to its satisfaction. In addition, the Security Agent'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 Security Agent's Liens on the Collateral.

Neither the Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, for the legality, enforceability, effectiveness 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. Nor will the Security Agent nor the Trustee be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Security Documents provides that the Company and the Subsidiary Guarantor Pledgors shall jointly and severally indemnify the Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Agent arising out of the Security Documents except to the extent that any of the foregoing have resulted from the breach of trust, willful default, gross negligence or willful misconduct of the Security Agent.

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 Pan Passu Secured Indebtedness” above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released 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 “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” or “— 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 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 the JV Subsidiary Guarantor and its direct and indirect Subsidiaries in accordance with the terms of the Indenture;
- 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; or
- 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.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (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 “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

Optional Redemption

At any time prior to July 14, 2023, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes as of, and accrued and unpaid interest, if any, (but not including) to the redemption date.

Unless provided otherwise, the Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or held by any clearing systems, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed and/or the requirements of the clearing systems by which the Notes are held; or
- (2) if the Notes are not listed on any recognized securities exchange and/or held by any clearing systems, on a pro rata basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate.

A Note of US\$150,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note; *provided, however*, that no such partial redemption shall be allowed if it would result in the issuance of a new Note, representing the unredeemed portion, in an amount of less than US\$1. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the

Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantor'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 the Notes upon a Change of Control Triggering Event."

On the Offer to Purchase Payment Date, the Company shall to the extent lawful: (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples of US\$1. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture governing the Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, 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 is uncertain and will be dependent upon particular facts and circumstances.

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 manner at the same time and otherwise in compliance with the requirements set forth in the Indenture

applicable to a Change of Control Offer made by the 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.

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 and interest on the Notes or under the Subsidiary Guarantees or 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 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 or 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 a Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee or JV Subsidiary Guarantee, 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, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by statute or regulation of a Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment, 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 intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of FATCA; or
 - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officer's Certificate stating that such change 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, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant 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 conclusively rely on and to accept, without liability, such Officer's Certificate and Opinion of Counsel 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

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary other than a Subsidiary Guarantor may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary other than a Subsidiary Guarantor to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
 - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Guarantees;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided that* such Indebtedness of Restricted Subsidiaries other than Subsidiary Guarantors shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded in the proviso contained in the definition of Permitted Subsidiary Indebtedness);
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided that* (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d), (ii) if the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor or JV

Subsidiary Guarantee of such JV Subsidiary Guarantor in the case of a JV Subsidiary Guarantor and (iii) if the Indebtedness is owed to the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law;

- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance”, and “refinances” and refinanced” shall have a correlative meaning) then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (p), (q), of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is *pari passu* with, or expressly made subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in 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 acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that* in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all

such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (q), (r), (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Guarantee Incurred under clauses (q), (r), (s), (u), (v) and (w) below to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or (h) above or clause (n) below; or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed the greater of US\$30 million and 0.5% of Total Assets (or the Dollar Equivalent thereof);
- (o) 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\$30 million (or the Dollar Equivalent thereof);
- (p) Indebtedness Incurred by the Company constituting a Subordinated Shareholder Loan;
- (q) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or capital stock in Subsidiaries that own 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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (q) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (q) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above and clauses (r), (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (r), (s), (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

- (r) Indebtedness Incurred the Company or by Restricted Subsidiaries constituting Bank Deposit Secured Indebtedness; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness permitted under this clause (r) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (r) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h) and (q) above and clauses (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clause (q) above and clauses (s), (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (s) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this clause (s) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (s) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (h), (q) and (r) above and clauses (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q) and (r) above and clauses (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (t) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;
- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (u) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (u) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r) and (s) above and clauses (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r) and (s) above and clauses (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (v) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (v) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r), (s) and (u) above and clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r), (s) and (u) above and clause (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and
 - (w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (w) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (w) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r), (s), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r), (s), (u) and (v) above to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.
 - (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than the purchase of Capital Stock of any Restricted Subsidiary held by any Trust Company Investor);

- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, and (2) payments made by the Company and its Restricted Subsidiaries after September 16, 2010 but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, but excluding all such payments falling within the next succeeding paragraph, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the third fiscal quarter of 2010 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after September 16, 2010 (1) as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to September 16, 2010 of any Indebtedness of the Company or any of its Restricted Subsidiaries 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 sum of:
 - (A) (1) the net reduction in Investments (other than reductions in Permitted Investments) (that were made after September 16, 2010) in any Person other than the Company or a Restricted Subsidiary resulting from dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person or the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary or (2) to the extent that an Investment made after September 16, 2010 is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus

- (B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is re-designated a Restricted Subsidiary;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Person after September 16, 2010, and *provided further*, that no amount will be included under this clause (iii) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

- (v) US\$25 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (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, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from paragraph (c)(ii) of the preceding paragraph;
- (5) 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 or 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* the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase pursuant to this clause (5) does not exceed an amount equal to 10% of Total Assets;
- (6) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(s) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (8) the declaration and payment of dividends by the Company with respect to any financial year up to an aggregate amount not to exceed 30% of the Company's consolidated net profit in such financial

year; *provided that* the conditions of clauses (4)(a) and (4)(c) of the first paragraph of this “Limitation on Restricted Payments” would not be violated as a consequence of such declaration and payment of dividends;

- (9) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary in connection with an employee benefit plan or 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 price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (11) 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;
- (12) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (12), not to exceed US\$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);
- (13) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm’s length transaction, *provided that* any such purchase, redemption, retirement or acquisition shall be deemed to be an arm’s length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired; or
- (14) declaration or payment of dividends in kind or other distributions in kind consisting of Capital Stock of any member of the Restructuring Group held by the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with the proposed Restructuring of the Restructuring Group *provided that* such declaration, payment or distribution will be made to the shareholders of the Company at the time of or prior to such Restructuring.

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) (but only to the extent that dividends are paid to persons other than the Company or a Restricted Subsidiary) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payment set forth in clauses (6) through (14) above) 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 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in paragraphs (6) through (14) above), the Company will deliver to the Trustee an Officer’s Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

For purposes of determining compliance with this “— Limitation on Restricted Payments” covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this “— Limitation on Restricted Payments” covenant and paragraph (18) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;

- (f) 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 adversely affect the ability of the Company to make required payments on the Notes;
- (g) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (2)(h), (2)(n) or (2)(o) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to (2)(h) and (2)(o), 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; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, 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.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and *provided that* the Company complies with the “— Limitation on Asset Sales” covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “— Limitation on Asset Sales” covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not 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 (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for

an unsubordinated Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d), (m)(ii) (other than, in the case of clause (m)(ii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary), (q) or (r) (but in the case of clauses (q) and (r), only to the extent that the pledge of assets or money deposited in bank accounts by the Company or any Restricted Subsidiary in connection with Indebtedness permitted to be Incurred under those clauses constitutes a Guarantee), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *par passu* in right of payment with the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *par passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes or 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 or the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee and such JV Subsidiary Guarantor shall become a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company 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 Officer’s Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees 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 of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are then listed for trading; and
- (8) any Affiliate Transaction that is conducted in accordance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (18) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in 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 and (iii) any transaction between or among the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided that* in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary, Minority Joint Venture or Associate of the Company).

Further, the requirements of clause (2) of the first paragraph of this covenant shall not apply to any transaction between (A) any of the Company or a Restricted Subsidiary and (B) any Minority Joint Venture, Associate or Unrestricted Subsidiary; *provided that* (1) such transaction is entered into in the ordinary course of business and (2) none of the shareholders or partners of or in such Minority Joint Venture, Associate or Unrestricted Subsidiary is a Person described in clause (x) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Minority Joint Venture or by reason of being a Subsidiary, Minority Joint Venture or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company’s most recent consolidated 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 a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or to acquire Replacement Assets;

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a pro rata basis by the Company. 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 Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering memorandum (or in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) none of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

Notwithstanding the immediately preceding paragraph, the Board of Directors may at any time designate each of its Subsidiaries engaged in businesses (the “Non-Core Business”) other than the PRC property development business to be an Unrestricted Subsidiary at any time and without such designation being treated as a Restricted Payment, *provided that* (a) no Default shall have occurred and be continuing as of the date of or after giving effect to such designation under this clause, (b) the Company shall have a bona fide plan to effect a Qualified IPO of the company which operates the Non-Core Business (or its holding company) (the “Listing Vehicle”) within 45 days after such designation, (c) after giving pro forma effect to such designation, the Company is able, as of the date of such designation, to incur US\$1.00 of Indebtedness under the proviso in the first paragraph of part (a) of the covenant under the caption “— Limitation on Indebtedness and Disqualified or Preferred Stock,” (d) immediately after the completion of a Qualified IPO and the listing of the Listing Vehicle, neither the Company nor any Restricted Subsidiary of the Company Guarantees or provides credit support for the Indebtedness of such Subsidiary, (e) such Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company, (f) such Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or 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 Disqualified or Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens” and (g) such Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries of the Company or are being concurrently designated to be Unrestricted Subsidiaries of the Company in accordance with this paragraph. If no Qualified IPO has occurred within 45 days after any designation of Restricted Subsidiaries as Unrestricted Subsidiaries under the immediately preceding paragraph, such designation of Unrestricted Subsidiaries shall be deemed to have been revoked by the Company and all such Unrestricted Subsidiaries shall be re-designated as Restricted Subsidiaries without any action on the part of the Company. The Company and the Subsidiary Guarantors will procure that immediately following the initial public offering and listing of the Listing Vehicle and so long as any of the Notes remain outstanding, the Company and/or one or more Subsidiary Guarantor(s) organized in a Permitted Jurisdiction shall directly own greater than 50% of the Capital Stock of the Listing Vehicle and the Company and/or such Subsidiary Guarantor(s) will not directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on such Capital Stock of the Listing Vehicle.

In making the determination required by clause (c) of the preceding paragraph, pro forma effect may also be given to any expected application of all or a portion of the proceeds to the Company and the remaining Restricted Subsidiaries (the “Remaining Restricted Group”) from a Qualified IPO to repay Indebtedness of the Remaining Restricted Group upon receipt of such proceeds, *provided that* if the Company and the Restricted Subsidiaries do not in fact receive sufficient proceeds from such Qualified IPO or, following receipt thereof, do not apply such proceeds to repay such Indebtedness, in each case to the extent necessary to satisfy the requirements of clause (c) of the preceding paragraph, then such designation of Unrestricted Subsidiaries shall be deemed to have been revoked by the Company and all such Unrestricted Subsidiaries shall be re-designated as Restricted Subsidiaries without any action on the part of the Company.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor, if required under “— The Subsidiary Guarantees and JV Subsidiary Guarantees.”; and (6) 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 as required under “— Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the 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 Transactions with Shareholders and Affiliates”;

- (7) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (8) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (9) “— Certain Covenants — Limitation on Asset Sales”;
- (10) clauses (3), (4) and 5(x) under the first and second paragraphs of the covenant described under “— Consolidation, Merger and Sale of Assets”;
- (11) clause 2(a) under “— Certain Covenants — Provision of Financial Statements and Reports”.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the 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 summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish
 - (a) to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that* if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (b) 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;
 - (c) as soon as they are available, but in any event within 60 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (d) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis 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.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officer's Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *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 (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, or an Event of Default an Officer's Certificate setting forth the details of the Default or the 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:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— 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) in accordance with the covenant described under the caption "— Security";
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or the Trustee on the written direction of such Holders;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due, *provided, however*, that such Indebtedness shall not include (x) the Excluded Indebtedness and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$15 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect, *provided, however*, that such final judgments or orders for the payment of money shall not include any which is in relation to (x) the Excluded Indebtedness and/or (y) any Indebtedness which occurs as a result of any default or event of default under the Excluded Indebtedness;
- (7) an involuntary case or other proceeding is commenced against the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary with respect to it or its debts (other than the Excluded Indebtedness) 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 Restricted Subsidiary or for any substantial part of the property and assets of the Company or any 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 Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect, except in each case under this paragraph (7), any proceeding commenced based on any Excluded Indebtedness;

- (8) the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary (except in each case under this paragraph (8)(b), any proceeding commenced to defend against any remedy exercised under any Excluded Indebtedness) or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing 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;
- (10) 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; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing 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 Security Agent ceases to have a security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee, on behalf of the Holders may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, and at the written request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to being indemnified and/or

secured and/or prefunded to its satisfaction) shall, 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 (subject to being indemnified and/or secured and/or prefunded to its satisfaction) upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes, subject to the terms of the Indenture and the Security Documents, instruct the Security Agent to foreclose on the Collateral in accordance with the terms of the Indenture and the Security Documents and instruct the Security Agent to take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with applicable law or the Indenture, 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 written direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or prefunding satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, and subject to any amendment or waiver obtained as described under the caption “— Amendments and Waiver,” such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and that the Company has 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 of any default or defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company

is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to conclusively rely, without liability, on any Opinion of Counsel or Officer's Certificate regarding whether an Event of Default or Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, 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 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;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";
- (5) the Company delivers to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred if the Notes are rated by a Rating Agency.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor) and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the

Trustee, all the obligations of the Subsidiary Guarantor or JV Subsidiary Guarantor 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 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;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officer’s Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred if the Notes are rated by a Rating Agency;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

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, the Notes or the Subsidiary Guarantees or JV Subsidiary Guarantees 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, (ii) Holders or beneficial owners of the Notes that are located or resident in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) 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

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 and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee 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;
- (2) 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
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

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 (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture 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 on deposit with the Trustee or the Agents will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or
 - (2) 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 Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee or the Agents 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 instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (b) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to conclusively rely on such Officer's Certificate and/or Opinion of Counsel without investigating the accuracy, authenticity and validity of those certifications and without any liability or responsibility to any person.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Subsidiary Guarantees, the JV Subsidiary Guarantees or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee or Security Agent;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture or the Intercreditor Agreement;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) 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;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to supplement or amend the Intercreditor Agreement, the Security Documents 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 the Indenture);
- (11) permit the Security Agent to hold the Collateral for the Holders and the holders of any Permitted Pari Passu Secured Indebtedness;
- (12) make any other change that does not materially and adversely affect the rights of any Holder; or
- (13) conform the text of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement to any provision of this “Description of the July 2023 New Notes” to the extent that such provision in this “Description of the July 2023 New Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement.

Amendments With Consent of Holders

Amendments of the Indenture, the Subsidiary Guarantees, the JV Subsidiary Guarantees or any Security Document may be made by the Company, the Subsidiary Guarantors, the Security Agent and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture, the Notes or any Security Documents; *provided, however*, that no such modification, amendment or waiver may, without the consent of Holders holding no less than 75% of the aggregate principal amount of the outstanding Notes at the time of such consent:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place or time of payment of principal of, or premium, if any, or interest on, any Note, or change the currency payable on, any Note or change the method of calculation, that would result in the reduction of such principal, premium, if any, or interest;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture and the Security Documents;
- (9) 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;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of any Security Document 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;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “— Limitation on Asset Sales;”;
- (13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, except as permitted pursuant to the provisions described under “Consolidations, Merger and Sale of Assets”;
- (14) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (15) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors, any of the JV Subsidiary Guarantors, or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee, the Security Agent and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture and as Security Agent with respect to the Collateral under the Security Documents, Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, has been appointed as the registrar (the “Registrar”), the paying agent (the “Paying Agent”) and the transfer agent (the “Transfer Agent” collectively with the Registrar and the Paying Agent, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless the requisite number of Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity and/or prefunding satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee or the Security Agent, should they become creditors 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, the Agents and the Security Agent are permitted to engage in other transactions with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit. The Trustee, the Agents and the Security Agent may have interest in or may be providing or may in the future provide financial or other services to other parties.

Citicorp International Limited will initially also act as Security Agent under the Security Documents in respect of the Collateral. The Security Agent, 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 Security Agent and the Trustee may have obligations under the Indenture and the Security Documents that are in conflict with the interests of the Holders. The Security Agent and the Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, as applicable, for the benefit of the Holders unless requisite number of Holders have offered to the Trustee and/or the Security Agent indemnity and/or security and/or prefunding satisfactory to the Trustee and the Security Agent, as applicable, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Security Agent and the Trustee, that it is solely responsible for its own independent appraisal of an 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 Security Agent or the 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”). Beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States. On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Security Agent or any of their respective agents (including Agents) will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent. 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, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- 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\$150,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Offering and transfer restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

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, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective

obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository 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 depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository 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 Registrar or the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes.

Furthermore, if there is an Event of Default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants. 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.

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.

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 mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or such other address as the Company may advise the Trustee in writing from time to time; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company, each of the Subsidiary Guarantors and JV Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, the City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York. The Security Documents that exist on the Original Issue Date will be governed by the laws of England or Hong Kong, as the case may be.

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 July 2023 New Notes” for which no definition is provided.

“2018 Facility” means the HK\$824.0 million dual currency dual tranche facility granted to the Company pursuant to the 2018 Facility Agreement.

“2018 Facility Agreement” means the facility agreement dated July 5, 2018, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, The Hongkong and Shanghai Banking Corporation Limited, as bookrunner and mandated lead arranger, The Bank of East Asia, Limited and Tai Fung Bank Limited as the mandated lead arrangers, The Hongkong and Shanghai Banking Corporation Limited, as coordinating arranger, the original lenders set forth therein, and The Hongkong and Shanghai Banking Corporation Limited, as the agent.

“2019 Facility” means the HK\$514.8 million and US\$40.0 million dual currency dual tranche facility granted to the Company pursuant to the 2019 Facility Agreement.

“2019 Facility Agreement” means the facility agreement dated July 8, 2019, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited as the mandated lead arrangers and bookrunners and the original lenders set forth therein.

“2023 Notes” means the US\$170.0 million 6.95% Senior Notes due 2023 issued by the Company on July 23, 2019 and an additional US\$250.0 million 6.95% Senior Notes due 2023 issued by the Company on June 17, 2020, consolidated to form a single series of notes pursuant to the 2023 Notes Indenture.

“2023 Notes Indenture” means the indenture dated July 23, 2019, as amended or supplemented from time to time, governing the 2023 Notes.

“2023 Notes Trustee” means Citicorp International Limited as trustee for the 2023 Notes.

“2024 Notes” means the US\$200.0 million 6.25% Senior Notes due 2024 issued by the Company on August 10, 2020 and an additional US\$150.0 million 6.25% Senior Notes due 2024 issued by the Company on September 29, 2020, consolidated to form a single series of notes pursuant to the 2024 Notes Indenture.

“2024 Notes Indenture” means the indenture dated August 10, 2020, as amended or supplemented from time to time, governing the 2024 Notes.

“2024 Notes Trustee” means Citicorp International Limited as trustee for the 2024 Notes.

“2025 Notes” means the US\$200.0 million 5.95% Senior Notes due 2025 issued by the Company on October 30, 2020, an additional US\$100.0 million 5.95% Senior Notes due 2025 issued by the Company on December 28, 2020 and an additional US\$100.0 million 5.95% Senior Notes due 2025 issued by the Company on January 11, 2021, consolidated to form a single series of notes pursuant to the 2025 Notes Indenture.

“2025 Notes Indenture” means the indenture dated October 30, 2020, as amended or supplemented from time to time, governing the 2025 Notes.

“2025 Notes Trustee” means Citicorp International Limited as trustee for the 2025 Notes.

“2026 Notes” means the US\$200.0 million 4.9% Senior Notes due 2026 issued by the Company on May 13, 2021 pursuant to the 2026 Notes Indenture.

“2026 Notes Indenture” means the indenture dated May 13, 2021, as amended or supplemented from time to time, governing the 2026 Notes.

“2026 Notes Trustee” means Citicorp International Limited as trustee for the 2026 Notes.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales or other dispositions of cash and Temporary Cash Investments;
- (3) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (4) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (5) 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;
- (6) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (7) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets”;

- (8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary; and
- (9) sales, transfers or other dispositions by the Listing Vehicle of up to 30% of the Capital Stock of the Listing Vehicle if (i) such Capital Stock is issued following the designation of the Listing Vehicle as an Unrestricted Subsidiary and (ii) such sale, transfer or disposition is made in connection with a Qualified IPO of the Listing Vehicle.

“Associate” means any Person of which at least 20% of the Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“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 bank accounts, deposits or other assets of the Company or a Restricted Subsidiary 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 the Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York or in London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, *provided* that Capitalized Lease shall not include any lease which would have been classified as “operating lease” before the adoption of GAAP 16.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

- (2) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided that* the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of each initial Subsidiary Guarantor owned by the Company or a Subsidiary Guarantor.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“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* (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided that* Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as “operating leases” before the adoption of GAAP 16, and *provided further that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available 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 of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Debt Documents” means, collectively, the 2018 Facility Agreement, the 2019 Facility Agreement, the 2023 Notes Indenture, the First 2022 Notes Indenture, the Second 2022 Notes Indenture, the First 2020 Facility Agreement, the Second 2020 Facility Agreement, the 2024 Notes Indenture, the 2025 Notes Indenture, the Third 2022 Notes Indenture, the 2026 Notes Indenture, the First 2021 Facility Agreement, the Second 2021 Facility Agreement, the Fourth 2022 Notes Indenture, the Third 2021 Facility Agreement, the Fifth 2022 Notes Indenture the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness and any letters appointing any Agent or the Security Agent.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to

require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Euroclear” means Euroclear Bank SA/NV.

“Excluded Indebtedness” means any Indebtedness in respect of the Excluded Notes.

“Excluded Notes” means the Second 2022 Notes, the Fourth 2022 Notes and the Fifth 2022 Notes.

“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.

“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 international standing appointed by the Company.

“Fifth 2022 Notes” means the US\$100.0 million 5.0% Senior Notes due 2022 issued by the Company pursuant to the Fifth 2022 Notes Indenture.

“Fifth 2022 Notes Indenture” means the indenture dated October 5, 2021, as amended or supplemented from time to time, governing the Fifth 2022 Notes.

“Fifth 2022 Notes Trustee” means Citicorp International Limited as trustee for the Fifth 2022 Notes.

“First 2020 Facility” means the HK\$824.0 million triple tranche term facility granted to the Company pursuant to the First 2020 Facility Agreement.

“First 2020 Facility Agreement” means the term facility agreement dated May 13, 2020, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Industrial and Commercial Bank of China (Macau) Limited, as the arranger, the original lenders set forth therein, and Industrial and Commercial Bank of China (Macau) Limited, as the agent.

“First 2021 Facility” means the HK\$400 million term facility granted to the Company pursuant to the First 2021 Facility Agreement.

“First 2021 Facility Agreement” means the term facility agreement dated June 3, 2021, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, and Tai Fung Bank Limited, as the agent.

“First 2022 Notes” means the HK\$1.0 billion 6.0% Senior Notes due 2022 issued by the Company pursuant to the 2022 Notes Indenture.

“First 2022 Notes Indenture” means the indenture dated July 26, 2019, as amended and supplemented from time to time, governing the First 2022 Notes.

“First 2022 Notes Trustee” means Citicorp International Limited as trustee for the First 2022 Notes.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal 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 be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“Fourth 2022 Notes” means the US\$200.0 million 4.0% Senior Notes due 2022 issued by the Company pursuant to the Fourth 2022 Notes Indenture.

“Fourth 2022 Notes Indenture” means the indenture dated July 26, 2021, as amended or supplemented from time to time, governing the Fourth 2022 Notes.

“Fourth 2022 Notes Trustee” means Citicorp International Limited as trustee for the Fourth 2022 Notes.

“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.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations or similar obligations incurred in the ordinary course of business in connection with

the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided that* such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (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).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person.

“Independent Third Party” means any Person that is not an Affiliate of the Company. “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:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary incorporated under the laws of the PRC 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.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor together with (x) any of its Restricted Subsidiaries that are providing JV Subsidiary Guarantees and (y) any of its shareholders that are giving JV Subsidiary Guarantees (each, a “JV Subsidiary Group”), an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Group and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Group and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the effective ownership interest of the Company and its Restricted Subsidiaries expressed as a percentage in the JV Subsidiary Group.

“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).

“Listed Subsidiaries” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“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 such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

- (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” means the Exempted Subsidiaries, the Listed Subsidiaries, the Initial Non-Guarantor Subsidiaries, the New Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples of US\$1.

On the Offer to Purchase Payment Date, the Company shall to the extent lawful: (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) on one Business Day prior to the Offer to Purchase Payment Date, deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples

of US\$1. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture governing the Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchaser if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officer’s Certificate” means a certificate signed by one Officer.

“Opinion of Counsel” means a written opinion from legal counsel which is in form and substance acceptable to the Trustee and the Security Agent, as applicable. The counsel may be a counsel to the Company.

“Ordinary Course Operating Lease” means a lease entered into by a PRC Restricted Subsidiary in the ordinary course of its business with respect to a real property in China which has been developed and sold by another PRC Restricted Subsidiary to one or more investors, pursuant to which the PRC Restricted Subsidiary will (i) agree to pay the investors a pre-determined amount over a term of no more than 10 years and (ii) be entitled to manage such real property by providing management services and retaining any rental proceeds that may be collected from third party tenants of such real property.

“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* (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Business” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries (as described in the Offering Memorandum) on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Mr. Hoi Kin Hong (許健康), Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, their spouses or immediate family members or any trust established by any of them for their own benefit or for the benefit of any of their immediate family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;
- (16) advances or deposits paid to government authorities or government-affiliated or supervised entities in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets in the Company's balance sheet;
- (17) repurchases of the Notes; and
- (18) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided that:*
 - (i) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed in aggregate an amount equal to 35.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (18) 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 pursuant to this clause (18);
 - (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or
 - (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted 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 pursuant to this clause (18);

For the avoidance of doubt, the amount of Investments made after the Original Issue Date shall be calculated as if this clause (18) applied thereto.

- (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
- (iii) if any of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption "*— Limitation on Transactions with Shareholders and Affiliates*" (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company, or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such

Investment shall comply with the requirements set forth under the caption “— Limitation on Transactions with Shareholders and Affiliates”; and

- (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

- (19) any Guarantees permitted to be Incurred under the covenant “— Limitation on Indebtedness and Preferred Stock;” and
- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, *provided that* (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, and (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company; and (B) the aggregate of all Investments made under this clause (20) since the Original Issue Date shall not exceed an amount equal to 10.0% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 10.0% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture).

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security-Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (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 (g) of the second paragraph of the covenant 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 (including extensions and renewals thereof) upon real or personal property; *provided that* (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated 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 (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (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 Investment Properties, or Restricted Subsidiaries that own Investment Properties, securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause 2(q) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (21) Liens Incurred on deposits or other assets made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

- (22) 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;
- (23) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (24) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted to be Incurred under clause (2)(s) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(t) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (27) Liens securing Indebtedness Incurred under clause (2)(v) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1) and (13) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, (i) the Company in connection with any Bank Deposit Secured Indebtedness and (ii) the Restricted Subsidiaries; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f) or (g) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 25% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 4, 2017 and effective on November 5, 2017) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on November 17, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations). Since the Foreign Investment Law of the People’s Republic of China came into force on January 1, 2020, the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was then abolished. Foreign-funded enterprises are no longer categorized as Wholly Foreign-Owned Enterprises, Sino-foreign Equity Joint Ventures and Sino-foreign Cooperative Joint Ventures. PRC CJV formed under the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures before the Foreign Investment Law of the People’s Republic of China came into force may maintain their original business forms for another five years. The Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was also replaced by the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China which came into force on January 1, 2020.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“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 or the Singapore Exchange Securities Trading Limited or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

“Qualified IPO” means an underwritten public offering of the common stock of the Listing Vehicle on a Recognized Stock Exchange where (i) following such public offering, at least 20% of the aggregate Fair Market Value of the common stock of the Listing Vehicle will be held by Persons who are not Affiliates of the Listing Vehicle and (ii) the proceeds to the Company or the Listing Vehicle, net of selling discounts and commissions, will be at least US\$50 million (or the Dollar Equivalent thereof).

“Rating Agencies” means (1) Moody’s and (2) if Moody’s shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba2” to “Ba3,” will constitute a decrease of one gradation).

“Rating Date” means, so long as the Notes are rated by at least one Rating Agency (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, so long as the Notes are rated by at least one Rating Agency (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, the Company 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 either of the Notes or the Company is rated by all such Rating Agencies that have assigned a rating to the Notes or the Company on the Rating Date as Investment Grade, such rating of the Notes or the Company by any such Rating Agency shall be below Investment Grade; or
- (b) in the event either of the Notes or the Company is rated below Investment Grade by any Rating Agency that has assigned a rating to the Notes or the Company on the Rating Date, such rating of the Notes or the Company by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, “Sale and Leaseback Transaction” shall not include the sale or transfer of real property to another Person that is leased by the Company or any Restricted Subsidiary pursuant to an Ordinary Course Operating Lease.

“Second 2020 Facility” means the HK\$546,000,000 and US\$50,000,000 (with incremental facilities of up to US\$300,000,000) dual currency dual tranche facility granted to the Company pursuant to the Second 2020 Facility Agreement.

“Second 2020 Facility Agreement” means the facility agreement dated June 30, 2020, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, China CITIC Bank International Limited, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited, as mandated lead arranger and bookrunner, the financial institutions set out therein, as original lenders, and The Hongkong and Shanghai Banking Corporation Limited, as the agent.

“Second 2021 Facility” means the US\$100 million triple tranche term facility granted to the Company pursuant to the Second 2021 Facility Agreement.

“Second 2021 Facility Agreement” means the term facility agreement dated July 9, 2021, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Luso International Banking Limited and The Bank of East Asia, Limited, Macau Branch, as the mandated lead arranger and coordinator, and Luso International Banking Limited, as the agent.

“Second 2022 Notes” means the US\$300.0 million 7.125% Senior Notes due 2022 issued by the Company pursuant to the Second 2022 Notes Indenture.

“Second 2022 Notes Indenture” means the indenture dated November 8, 2019, as amended and supplemented from time to time, governing the Second 2022 Notes.

“Second 2022 Notes Trustee” means Citicorp International Limited as trustee for the Second 2022 Notes.

“Secured Liabilities” means, collectively, the obligations under the Indenture, the 2023 Notes Indenture, the 2018 Facility, the 2019 Facility, the First 2022 Indenture, the Second 2022 Indenture, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes Indenture, the 2025 Notes Indenture, the Third 2022 Notes Indenture, the 2026 Notes Indenture, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes Indenture, the Third 2021 Facility, the Fifth 2022 Notes Indenture, the Permitted Pari Passu Secured Indebtedness and the Security Documents.

“Security Documents” means, collectively, the pledge agreements, the Intercreditor Agreement and any other agreements or instruments that may evidence or create any security interest in favor of the Security Agent in any or all of the Collateral.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means any Subsidiary that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of this Indenture, if any of the conditions exceeds 5 percent.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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.

“Subordinated Shareholder Loan” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is 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) does not provide any cash payment of interest.

“Subsidiary” means, with respect to any specified Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled”

and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the 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, the United Kingdom, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area, Hong Kong, Singapore or Australia, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with a bank or financial institution which is organized under the laws of the PRC or Hong Kong, or structured deposit products that are principal protected by any bank or financial institution organized under the laws of the PRC or Hong Kong, or any jurisdiction where 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.

“Third 2021 Facility” means the HK\$858 million dual-currency dual tranche term facility granted to the Company pursuant to the Third 2021 Facility Agreement.

“Third 2021 Facility Agreement” means the term facility agreement dated August 9, 2021, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Bank of Communications (Hong Kong) Limited, The Bank of East Asia, Limited, Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger and coordinator, and The Hongkong and Shanghai Banking Corporation Limited, as the agent.

“Third 2022 Notes” means the US\$200.0 million 3.90% Senior Notes due 2022 issued by the Company pursuant to the Third 2022 Notes Indenture.

“Third 2022 Notes Indenture” means the indenture dated April 14, 2021, as amended or supplemented from time to time, governing the Third 2022 Notes.

“Third 2022 Notes Trustee” means Citicorp International Limited as trustee for the Third 2022 Notes.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that* only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means PL North America — NJ Port Imperial. Inc., Powerlong (BVI) V Limited, Powerlong Commercial Group Holdings Limited, Powerlong Commercial Management Holdings Limited and (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

DESCRIPTION OF THE JANUARY 2024 NEW NOTES

For purposes of this “Description of the January 2024 New Notes,” the term “Notes” refers to the January 2024 New Notes, and the term “Company” refers only to Powerlong Real Estate Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that 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 provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under the indenture (the “Indenture”), dated as of Original Issue Date, among the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor, 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 and the Intercreditor Agreement. 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 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 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 against the Company with respect to all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and JV Subsidiary Guarantees”, “— Replacement of Subsidiary Guarantees with 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, 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.

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” and in the caption “— Security” below, the Notes will be secured by the Collateral as described below under the caption “— Security” and will:

- be entitled to a Lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness;
- 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); and
- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors to the extent of the Collateral charged by each Subsidiary Guarantor Pledgor securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 15, 2024, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the January 2024 New Notes” include any Additional Notes that are actually issued. The Notes will bear interest at 7.125% per annum from July 15, 2022, payable in arrears on January 15, 2023, July 15, 2023 and January 15, 2024 (each an “Interest Payment Date”).

Interest on the Notes will be paid to Note holders (“Holders”) of record at the close of business on December 31, 2022, June 30, 2023 or December 31, 2023 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 Note 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, premium or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Trustee, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. 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\$150,000 and integral multiples of US\$1 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, currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date consist of China Alliance Worldwide Limited, Ever Famous (Hong Kong) Limited, Powerlong (BVI) I Limited, Powerlong (BVI) Ii Limited, Powerlong (BVI) Culture Group Holdings Limited, Powerlong (BVI) IV Limited, Powerlong (BVI) Asset Management Holdings Limited, Powerlong (Hong Kong) 1 Limited, Powerlong (Hong Kong) 2 Limited, Powerlong Art Culture Group Holdings Limited, Powerlong Land Development Limited, Powerlong Real Estate (BVI) Holdings Limited, Powerlong Real Estate (Hong Kong) Holdings Limited, Smart Line Development Limited, Next Success Estates Limited, Powerlong Source Limited, Everland Development Limited, Fame State (Hong Kong) Limited, Powerlong Asset Management Limited, Powerlong (BVI) Hotel Group Holdings Limited, Welly Dragon (Hong Kong) Limited, Allied Creation (Hong Kong) Limited and Powerlong (Hong Kong) Hotel Group Holdings Limited (collectively, the “Initial Subsidiary Guarantors”). All of the Initial Subsidiary Guarantors are holding companies that do not have significant operations. Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “Initial Non-Guarantor Subsidiaries”) nor PRC Restricted Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that 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 Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

The initial JV Subsidiary Guarantors that will execute the Indenture on the Original Issue Date are Baohui Real Estate (Hong Kong) Holdings Limited, Powerlong Golden Wheel International Famous Limited, Powerlong Golden Wheel Coral Company Limited and Powerlong Xingchuang (Hong Kong) Limited. Each of the JV Subsidiary Guarantors is a holding company that does not have significant operations. The JV Subsidiary Guarantee of each 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 will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- is limited to the JV Entitlement Amount and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, New Non-Guarantor Subsidiaries, Listed Subsidiaries or Exempted Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date (other than a JV Subsidiary Guarantor) is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiary (and its Restricted Subsidiaries) organized under laws outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be a Listed Subsidiary or an Exempted Subsidiary (the “New Non-Guarantor Subsidiaries”), *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Listed Subsidiaries and Exempted Subsidiaries) do not account for more than 25% of the Total Assets of the Company.

In the case of a future Restricted Subsidiary (1) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (2) that is incorporated in any jurisdiction other than the PRC, and (3) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary

Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (1) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (2) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, in the case of the Security Documents, also to the Security Agent:
 - (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 the Exempted Subsidiaries and Listed 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 and the Holders 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 Security Agent 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 Officer’s Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “— Permitted Pari Passu Secured Indebtedness,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will be secured by the Collateral, pledged by it as described below under the caption “— Security” and:

- will be entitled to a Lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis with any other creditors with respect to Permitted Pari Passu Secured Indebtedness; 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); and
- the JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured (each JV Subsidiary Guarantee is not required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantee, 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 Guarantee, as the case may be, will be reinstated with respect to such payments as though such payment had not been made.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or a JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee 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";
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- 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, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- 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 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 concurrently with 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 Security Agent 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 each 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 that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries and other than Listed Subsidiaries and Exempted Subsidiaries) do not account for more than 25% of the Total Assets of the Company. 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 of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee 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.

No release and discharge of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer’s Certificate stating that all requirements and conditions precedent relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to conclusively rely on such Officer’s Certificate without investigating the accuracy, authenticity and validity of the certificate and without any liability or responsibility to any person.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c)

requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and in the case of the Security Documents, also to the Security Agent:
 - (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 (other than Exempted Subsidiaries and Listed 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 Holders are 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 Security Agent for itself and for the benefit of the Trustee 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 Officer's Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries other than those designated in the definition of "Unrestricted Subsidiaries" under the caption "— Definitions" will be "Restricted 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.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee, the Security Agent or the Holders until the Company has delivered to the Trustee and the Security Agent an Officer's Certificate stating that all requirements and conditions precedent relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Security

The obligations of the Company under the Notes and the Subsidiary Guarantors under the Subsidiary Guarantees will be secured by pledges by the Company and the Subsidiary Guarantor Pledgors, as the case may be, of the Capital Stock of all of the initial Subsidiary Guarantors and the JY Subsidiary Guarantors (the “Collateral”) owned by the Company or the Subsidiary Guarantor Pledgors (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date.

The Indebtedness represented by the Notes and the Subsidiary Guarantees constitute “Permitted *Pari Passu* Indebtedness” under the terms of the Indenture and the Security Documents, including the share pledge agreements executed by the Company and the Subsidiary Guarantor Pledgors in favor of the Security Agent. Accordingly, upon execution of an accession deed to the Intercreditor Agreement (as defined below) by the Trustee and the other parties thereto, the Holders of the Notes have the benefit of the security interests created over the Collateral under the share pledge agreements.

The initial Subsidiary Guarantor Pledgors were Powerlong Real Estate (BVI) Holdings Limited, Powerlong (BVI) I Limited, Powerlong (BVI) II Limited, Powerlong Culture Group Holdings Limited, Powerlong (BVI) IV Limited, Powerlong Real Estate (Hong Kong) Holdings Limited, China Alliance Worldwide Limited, Powerlong (Hong Kong) 2 Limited, Powerlong (BVI) Asset Management Holdings Limited, Powerlong Land Development Limited, Powerlong (BVI) Hotel Group Holdings Limited and Smart Line Development Limited. The Capital Stock pledged by the Company and each initial Subsidiary Guarantor Pledgor will be that of the initial Subsidiary Guarantors, all of which are holding companies or special purpose companies that do not have significant operations or real property assets other than Capital Stock of the Non-Guarantor Subsidiaries.

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 JY Subsidiary Guarantor is established, the Capital Stock of such JY 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 JY Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Security Agent.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JY Subsidiary Guarantor) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC) after the Original Issue Date, as soon as practicable after such Person has become a Restricted Subsidiary, to secure 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 Collateral will be shared on a *pari passu* basis by the holders of the Notes and (i) the holders of the 2023 Notes, (ii) the lenders under the 2018 Facility, (iii) the lenders of the 2019 Facility, (iv) the holders of the First 2022 Notes, (v) the holders of the Second 2022 Notes, (vi) the lenders of the First 2020 Facility, (vii) the lenders of the Second 2020 Facility, (viii) the holders of the 2024 Notes, (ix) the holders of the 2025 Notes, (x) the holders of the Third 2022 Notes, (xi) the holders of the 2026 Notes, (xii) the lenders of the First 2021 Facility, (xiii) the lenders of the Second 2021 Facility, (xiv) the holders of the Fourth 2022 Notes, (xv) the lenders of the Third 2021 Facility, (xvi) the holders of the Fifth 2022 Notes and (xvii) the holders of any Permitted *Pari Passu* Secured Indebtedness. The 2023 Notes, the 2018 Facility, the 2019 Facility, the First 2022 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the Third 2022 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility and the Fifth 2022 Notes, collectively, are herein referred to as the “Existing *Pari Passu* Secured Indebtedness.” The amount of other Indebtedness secured by the Collateral (other than with respect to Permitted Liens) was nil. 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 secured indebtedness. The proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement (as defined below)) are unlikely to be sufficient to satisfy the Company's and each Subsidiary Guarantor Pledgor's obligations under the Notes and the Subsidiary Guarantees, and the Collateral 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. See “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — “The value of the Collateral will likely not be sufficient to satisfy our obligations under the New Notes, the 2018 Facility, the 2019 Facility, the 2023 Notes, the Second 2022 Notes, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes, the 2025 Notes, the 2026 Notes, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes, the Third 2021 Facility, the Fifth 2022 Notes and other Permitted *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 and the Security Documents following an Event of Default (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), 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 on the Collateral *pari passu* with the Liens for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any *Pari Passu* Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any Subsidiary Guarantor Pledgor, “Permitted *Pari Passu* Secured Indebtedness”); *provided that* (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Security Agent an Opinion of Counsel and Officer's Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee or the Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents 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 security or 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.

Neither the Trustee nor the Security Agent nor any of their officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, 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, except to the extent of any fraud, gross negligence or willful misconduct of the Trustee or the Security Agent.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors and the Security Agent, among others, entered into an intercreditor agreement dated March 9, 2011. The 2018 Facility agent on behalf of the lenders under the 2018 Facility, the 2019 Facility agent on behalf of the lenders under the 2019 Facility, the 2023 Notes Trustee on behalf of the holders of the 2023 Notes, the First 2022 Notes Trustee on behalf of the holders of the First 2022 Notes, the Second 2022 Notes Trustee on behalf of the holders of the Second 2022 Notes, the First 2020 Facility agent on behalf of the lenders under the First 2020 Facility, the Second 2020 Facility agent on behalf of the lenders under the Second 2020 Facility, the 2024 Notes Trustee on behalf of the holders of the 2024 Notes, the 2025 Notes Trustee on behalf of the holders of the 2025 Notes, the Third 2022 Notes Trustee on behalf of the holders of the Third 2022 Notes, the 2026 Notes Trustee on behalf of the holders of the 2026 Notes, the agent on behalf of the lenders under the First 2021 Facility, the agent on behalf of the lenders under the Second 2021 Facility, the Fourth 2022 Notes Trustee on behalf of the holders of the Fourth 2022 Notes, the agent on behalf of the lenders under the Third 2021 Facility, the Fifth 2022 Notes Trustee on behalf of the holders of the Fifth 2022 Notes, each executed accession deeds to such intercreditor agreement on July 6, 2018, July 8, 2019, July 26, 2019, November 8, 2019, May 13, 2020, June 30, 2020, August 10, 2020, October 30, 2020, April 14, 2021, May 13, 2021, June 3, 2021, July 9, 2021, July 26, 2021, August 9, 2021 and October 5, 2021, respectively (as supplemented by such accession deeds and as supplemented from time to time the “Existing Intercreditor Agreement”). On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will have executed an accession deed to the Existing Intercreditor Agreement to accede as a creditor to the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented from time to time pursuant to the terms thereof, the “Intercreditor Agreement”). The Intercreditor Agreement provides, among other things, (1) that the Secured Creditors thereunder will share equal priority and pro rata entitlement in and to the Collateral and that the Secured Liabilities shall rank *pan passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pan passu* among themselves; (2) for the conditions under which any Lien on such Collateral may be released; and (3) for the conditions under which the Security Agent will take enforcement actions with respect to such Collateral.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors have been granted to the Security Agent, subject to sharing under the Intercreditor Agreement. The Security Agent for itself and the creditors party to the Intercreditor Agreement holds such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by such creditors or their respective Creditor Representatives to exercise remedies in accordance with the Security Documents. The Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents and under the applicable Security Documents, to follow the instructions provided to it by such creditors or one or more of the Creditor Representatives representing such creditors under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Security Agent in accordance with written instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement provides that the Security Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement provides that, subject to the rights of any creditor

with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

- first, to the Security Agent to the extent necessary to reimburse the Security Agent for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the Security Documents and preserving the Collateral and all amounts for which the Security Agent is entitled to indemnification under the Security Documents;
- second, pro-rata, in or towards payment to the Trustee and other agents (including Agents) under the Indenture, as well as each of the Creditor Representatives under the Intercreditor Agreement for application against any fees, costs and expenses payable to them under the applicable Debt Document and any amount for which such Trustees and/or agents (including Agents) are entitled to indemnification under the applicable Debt Document.
- third, to the Trustee for the benefit of Holders and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative) on a pro rata basis; and
- fourth, any surplus remaining after such payments will be paid to the Company (for itself and the Subsidiary Guarantor Pledgors or whomever may be lawfully entitled thereto).

The Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security and/or prefunding to its satisfaction. In addition, the Security Agent'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 Security Agent's Liens on the Collateral.

Neither the Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, for the legality, enforceability, effectiveness 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. Nor will the Security Agent nor the Trustee be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Security Documents provides that the Company and the Subsidiary Guarantor Pledgors shall jointly and severally indemnify the Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Agent arising out of the Security Documents except to the extent that any of the foregoing have resulted from the breach of trust, willful default, gross negligence or willful misconduct of the Security Agent.

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 Pan Passu Secured Indebtedness” above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released 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 “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” or “— 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 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 the JV Subsidiary Guarantor and its direct and indirect Subsidiaries in accordance with the terms of the Indenture;
- 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; or
- 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.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (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 “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

Mandatory Redemption

Unless previously redeemed, on the First Redemption Date, the Company shall redeem, on a pro rata basis from the Holders unless otherwise required by law, the Notes in the principal amount equal to 5% of the Issue Amount at a redemption price equal to 100% of the principal amount of the Notes so redeemed plus accrued and unpaid interest, if any, to (but excluding) the First Redemption Date.

Therefore, on the First Redemption Date, the Company will effectively redeem the Notes in an amount of at least 5% of the aggregate principal amount of the Second 2022 Notes validly tendered and accepted for purchase pursuant to the Exchange Offer as set forth in this exchange offer memorandum.

Optional Redemption

At any time prior to January 15, 2024, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes as of, and accrued and unpaid interest, if any, (but not including) to the redemption date.

Unless provided otherwise, the Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or held by any clearing systems, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed and/or the requirements of the clearing systems by which the Notes are held; or
- (2) if the Notes are not listed on any recognized securities exchange and/or held by any clearing systems, on a pro rata basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate.

A Note of US\$150,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note; *provided, however*, that no such partial redemption shall be allowed if it would result in the issuance of a new Note, representing the unredeemed portion, in an amount of less than US\$1. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s and the Subsidiary Guarantor’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 the Notes upon a Change of Control Triggering Event.”

On the Offer to Purchase Payment Date, the Company shall to the extent lawful: (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer’s Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples of US\$1. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture governing the Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all,” no precise definition of the phrase has been established. Accordingly, 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 is uncertain and will be dependent upon particular facts and circumstances.

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 manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the 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.

No Sinking Fund

There will be no sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium and interest on the Notes or under the Subsidiary Guarantees or 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 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 or 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 a Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee or JV Subsidiary Guarantee, 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, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required by statute or regulation of a Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment, 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 intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of FATCA; or
 - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officer's Certificate stating that such change 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, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant 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 conclusively rely on and to accept, without liability, such Officer's Certificate and Opinion of Counsel 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

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary other than a Subsidiary Guarantor may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary other than a Subsidiary Guarantor to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Guarantees;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided that* such Indebtedness of Restricted Subsidiaries other than Subsidiary Guarantors shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded in the proviso contained in the definition of Permitted Subsidiary Indebtedness);
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided that* (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d), (ii) if the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantee of such JV Subsidiary Guarantor in the case of a JV Subsidiary Guarantor and (iii) if the Indebtedness is owed to the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law;
 - (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance”, and “refinances” and refinanced” shall have a correlative meaning) then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (p), (q), of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is *pari passu* with, or expressly made subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV

Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in 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 acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that* in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (q), (r), (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Guarantee Incurred under clauses (q), (r), (s), (u), (v) and (w) below to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or

performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or (h) above or clause (n) below; or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed the greater of US\$30 million and 0.5% of Total Assets (or the Dollar Equivalent thereof);
- (o) 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\$30 million (or the Dollar Equivalent thereof);
- (p) Indebtedness Incurred by the Company constituting a Subordinated Shareholder Loan;
- (q) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or capital stock in Subsidiaries that own 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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (q) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (q) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above and clauses (r), (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (r), (s), (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (r) Indebtedness Incurred the Company or by Restricted Subsidiaries constituting Bank Deposit Secured Indebtedness; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness permitted under this clause (r) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (r) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h) and (q) above and clauses (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clause (q) above and clauses (s), (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

- (s) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this clause (s) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (s) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (h), (q) and (r) above and clauses (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q) and (r) above and clauses (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (t) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;
- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (u) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (u) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r) and (s) above and clauses (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r) and (s) above and clauses (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (v) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (v) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r), (s) and (u) above and clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r), (s) and (u) above and clause (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and
- (w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (w) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (w) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r), (s), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r), (s), (u) and (v)

above to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.

- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than the purchase of Capital Stock of any Restricted Subsidiary held by any Trust Company Investor);
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, and (2) payments made by the Company and its Restricted Subsidiaries after September 16, 2010 but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, but excluding all such payments falling within the next succeeding paragraph, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first

day of the third fiscal quarter of 2010 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after September 16, 2010 (1) as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to September 16, 2010 of any Indebtedness of the Company or any of its Restricted Subsidiaries 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 sum of:
 - (A) (1) the net reduction in Investments (other than reductions in Permitted Investments) (that were made after September 16, 2010) in any Person other than the Company or a Restricted Subsidiary resulting from dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person or the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary or (2) to the extent that an Investment made after September 16, 2010 is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus
 - (B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is re-designated a Restricted Subsidiary;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Person after September 16, 2010, and *provided further*, that no amount will be included under this clause (iii) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

- (v) US\$25 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (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, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from paragraph (c)(ii) of the preceding paragraph;
- (5) 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 or 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* the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (5) does not exceed an amount equal to 10% of Total Assets;
- (6) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(s) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (8) the declaration and payment of dividends by the Company with respect to any financial year up to an aggregate amount not to exceed 30% of the Company’s consolidated net profit in such financial year; *provided that* the conditions of clauses (4)(a) and (4)(c) of the first paragraph of this “Limitation on Restricted Payments” would not be violated as a consequence of such declaration and payment of dividends;
- (9) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary in connection with an employee benefit plan or 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 price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (11) 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;
- (12) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (12), not to exceed US\$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);

- (13) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, *provided that* any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired; or
- (14) declaration or payment of dividends in kind or other distributions in kind consisting of Capital Stock of any member of the Restructuring Group held by the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with the proposed Restructuring of the Restructuring Group *provided that* such declaration, payment or distribution will be made to the shareholders of the Company at the time of or prior to such Restructuring.

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) (but only to the extent that dividends are paid to persons other than the Company or a Restricted Subsidiary) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payment set forth in clauses (6) through (14) above) 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 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in paragraphs (6) through (14) above), the Company will deliver to the Trustee an Officer's Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this "— Limitation on Restricted Payments" covenant and paragraph (18) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
 - (f) 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 adversely affect the ability of the Company to make required payments on the Notes;
 - (g) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (2)(h), (2)(n) or (2)(o) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to (2)(h) and (2)(o), 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; or

- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, 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.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided that* the Company complies with the "— Limitation on Asset Sales" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not 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 (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d), (m)(ii) (other than, in the case of clause (m)(ii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary), (q) or (r) (but in the case of clauses (q) and (r), only to the extent that the pledge of assets or money deposited in bank accounts by the Company or any Restricted Subsidiary in connection with Indebtedness permitted to be Incurred under those clauses constitutes a Guarantee), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes or 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 or the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee and such JV Subsidiary Guarantor shall become a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company 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 Officer’s Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees 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 of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading; and
- (8) any Affiliate Transaction that is conducted in accordance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (18) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in 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 and (iii) any transaction between or among the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided that* in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary, Minority Joint Venture or Associate of the Company).

Further, the requirements of clause (2) of the first paragraph of this covenant shall not apply to any transaction between (A) any of the Company or a Restricted Subsidiary and (B) any Minority Joint Venture, Associate or Unrestricted Subsidiary; *provided that* (1) such transaction is entered into in the ordinary course of business and (2) none of the shareholders or partners of or in such Minority Joint Venture, Associate or Unrestricted Subsidiary is a Person described in clause (x) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Minority Joint Venture or by reason of being a Subsidiary, Minority Joint Venture or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company’s most recent consolidated 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 a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or to acquire Replacement Assets;

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a pro rata basis by the Company. 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 Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) none of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been

made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

Notwithstanding the immediately preceding paragraph, the Board of Directors may at any time designate each of its Subsidiaries engaged in businesses (the “Non-Core Business”) other than the PRC property development business to be an Unrestricted Subsidiary at any time and without such designation being treated as a Restricted Payment, *provided that* (a) no Default shall have occurred and be continuing as of the date of or after giving effect to such designation under this clause, (b) the Company shall have a bona fide plan to effect a Qualified IPO of the company which operates the Non-Core Business (or its holding company) (the “Listing Vehicle”) within 45 days after such designation, (c) after giving pro forma effect to such designation, the Company is able, as of the date of such designation, to incur US\$1.00 of Indebtedness under the proviso in the first paragraph of part (a) of the covenant under the caption “— Limitation on Indebtedness and Disqualified or Preferred Stock,” (d) immediately after the completion of a Qualified IPO and the listing of the Listing Vehicle, neither the Company nor any Restricted Subsidiary of the Company Guarantees or provides credit support for the Indebtedness of such Subsidiary, (e) such Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company, (f) such Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or 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 Disqualified or Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens” and (g) such Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries of the Company or are being concurrently designated to be Unrestricted Subsidiaries of the Company in accordance with this paragraph. If no Qualified IPO has occurred within 45 days after any designation of Restricted Subsidiaries as Unrestricted Subsidiaries under the immediately preceding paragraph, such designation of Unrestricted Subsidiaries shall be deemed to have been revoked by the Company and all such Unrestricted Subsidiaries shall be re-designated as Restricted Subsidiaries without any action on the part of the Company. The Company and the Subsidiary Guarantors will procure that immediately following the initial public offering and listing of the Listing Vehicle and so long as any of the Notes remain outstanding, the Company and/or one or more Subsidiary Guarantor(s) organized in a Permitted Jurisdiction shall directly own greater than 50% of the Capital Stock of the Listing Vehicle and the Company and/or such Subsidiary Guarantor(s) will not directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on such Capital Stock of the Listing Vehicle.

In making the determination required by clause (c) of the preceding paragraph, pro forma effect may also be given to any expected application of all or a portion of the proceeds to the Company and the remaining Restricted Subsidiaries (the “Remaining Restricted Group”) from a Qualified IPO to repay Indebtedness of the Remaining Restricted Group upon receipt of such proceeds, *provided that* if the Company and the Restricted Subsidiaries do not in fact receive sufficient proceeds from such Qualified IPO or, following receipt thereof, do not apply such proceeds to repay such Indebtedness, in each case to the extent necessary to satisfy the requirements of clause (c) of the preceding paragraph, then such designation of Unrestricted Subsidiaries shall be deemed to have been revoked by the Company and all such Unrestricted Subsidiaries shall be re-designated as Restricted Subsidiaries without any action on the part of the Company.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor, if required under “— The Subsidiary Guarantees and JV Subsidiary Guarantees.”; and (6) 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 as required under “— Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the 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 Transactions with Shareholders and Affiliates”;
- (7) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (8) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (9) “— Certain Covenants — Limitation on Asset Sales”;
- (10) clauses (3), (4) and 5(x) under the first and second paragraphs of the covenant described under “— Consolidation, Merger and Sale of Assets”; and
- (11) clause 2(a) under “— Certain Covenants — Provision of Financial Statements and Reports”.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant

summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the 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 summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish
 - (a) to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that* if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (b) 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;
 - (c) as soon as they are available, but in any event within 60 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (d) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis 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.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officer’s Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company’s external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *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 (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, or an Event of Default an Officer’s Certificate setting forth the details of the Default or the 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:

- (1) default in the payment of principal of (or premium, if any, on) the Notes (including the amounts payable under “— Mandatory Redemption”) when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions “— Repurchase of Notes upon a Change of Control Triggering Event” or “— 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) in accordance with the covenant described under the caption “— Security”;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or the Trustee on the written direction of such Holders;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due, *provided, however*, that such Indebtedness shall not include (x) the Excluded Indebtedness and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$15 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect, *provided, however*, that such final judgments or orders for the payment of money shall not include any which is in relation to (x) the Excluded Indebtedness and/or (y) any Indebtedness which occurs as a result of any default or event of default under the Excluded Indebtedness;
- (7) an involuntary case or other proceeding is commenced against the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary with respect to it or its debts (other than the Excluded Indebtedness) 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 Restricted Subsidiary or for any substantial part of the property and assets of the Company or any 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 Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect, except in each case under this paragraph (7), any proceeding commenced based on any Excluded Indebtedness;
- (8) the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted

Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary (except in each case under this paragraph (8)(b), any proceeding commenced to defend against any remedy exercised under any Excluded Indebtedness) or (c) effects any general assignment for the benefit of creditors;

- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing 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;
- (10) 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;
or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing 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 Security Agent ceases to have a security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee, on behalf of the Holders may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, and at the written request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall, 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 (subject to being indemnified and/or secured and/or prefunded to its satisfaction) upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes, subject to the terms of the Indenture and the Security Documents, instruct the Security Agent to foreclose on the Collateral in accordance with the terms of the Indenture and the Security Documents and instruct the Security Agent to take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with applicable law or the Indenture, 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 written direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or prefunding satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, and subject to any amendment or waiver obtained as described under the caption “— Amendments and Waiver,” such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and that the Company has 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 of any default or defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to conclusively rely, without liability, on any Opinion of Counsel or Officer’s Certificate regarding whether an Event of Default or Default has occurred.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, 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 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;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";
- (5) the Company delivers to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred if the Notes are rated by a Rating Agency.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor) and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Subsidiary Guarantor or JV Subsidiary Guarantor 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 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;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officer’s Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred if the Notes are rated by a Rating Agency;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

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, the Notes or the Subsidiary Guarantees or JV Subsidiary Guarantees 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, (ii) Holders or beneficial owners of the Notes that are located or resident in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) 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 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 and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee 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;
- (2) 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
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

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 (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture 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 on deposit with the Trustee or the Agents will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or
 - (2) 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 Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee or the Agents 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 instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (b) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to conclusively rely on such Officer's Certificate and/or Opinion of Counsel without investigating the accuracy, authenticity and validity of those certifications and without any liability or responsibility to any person.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Subsidiary Guarantees, the JV Subsidiary Guarantees or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee or Security Agent;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture or the Intercreditor Agreement;

- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) 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;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to supplement or amend the Intercreditor Agreement, the Security Documents 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 the Indenture);
- (11) permit the Security Agent to hold the Collateral for the Holders and the holders of any Permitted Pari Passu Secured Indebtedness;
- (12) make any other change that does not materially and adversely affect the rights of any Holder; or
- (13) conform the text of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement to any provision of this “Description of the January 2024 New Notes” to the extent that such provision in this “Description of the January 2024 New Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement.

Amendments With Consent of Holders

Amendments of the Indenture, the Subsidiary Guarantees, the JV Subsidiary Guarantees or any Security Document may be made by the Company, the Subsidiary Guarantors, the Security Agent and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture, the Notes or any Security Documents; *provided, however*, that no such modification, amendment or waiver may, without the consent of Holders holding no less than 75% of the aggregate principal amount of the outstanding Notes at the time of such consent:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place or time of payment of principal of, or premium, if any, or interest on, any Note, or change the currency payable on, any Note or change the method of calculation, that would result in the reduction of such principal, premium, if any, or interest;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture and the Security Documents;
- (9) 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;

- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of any Security Document 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;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “— Limitation on Asset Sales;”;
- (13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, except as permitted pursuant to the provisions described under “Consolidations, Merger and Sale of Assets”;
- (14) change the redemption date or the redemption price of the Notes from that stated under the captions “— Mandatory Redemption” “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (15) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors, any of the JV Subsidiary Guarantors, or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee, the Security Agent and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture and as Security Agent with respect to the Collateral under the Security Documents, Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, has been appointed as the registrar (the “Registrar”), the paying agent (the “Paying Agent”) and the transfer agent (the “Transfer Agent” collectively with the Registrar and the Paying Agent, the “Agents”) with regard to the Notes. Except during the continuance of an Event of Default, the Trustee undertakes to perform such

duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless the requisite number of Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity and/or prefunding satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee or the Security Agent, should they become creditors 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, the Agents and the Security Agent are permitted to engage in other transactions with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit. The Trustee, the Agents and the Security Agent may have interest in or may be providing or may in the future provide financial or other services to other parties.

Citicorp International Limited will initially also act as Security Agent under the Security Documents in respect of the Collateral. The Security Agent, 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 Security Agent and the Trustee may have obligations under the Indenture and the Security Documents that are in conflict with the interests of the Holders. The Security Agent and the Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, as applicable, for the benefit of the Holders unless requisite number of Holders have offered to the Trustee and/or the Security Agent indemnity and/or security and/or prefunding satisfactory to the Trustee and the Security Agent, as applicable, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Security Agent and the Trustee, that it is solely responsible for its own independent appraisal of an 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 Security Agent or the 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"). Beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States. On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository 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 depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any

purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Security Agent or any of their respective agents (including Agents) will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. 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 depository 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, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- 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 depository 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 depository, 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\$150,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Offering and transfer restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

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, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository 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 Registrar or the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes.

Furthermore, if there is an Event of Default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants. 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.

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.

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 mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or such other address as the Company may advise the Trustee in writing from time to time; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company, each of the Subsidiary Guarantors and JV Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, the City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York. The Security Documents that exist on the Original Issue Date will be governed by the laws of England or Hong Kong, as the case may be.

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 January 2024 New Notes” for which no definition is provided.

“2018 Facility” means the HK\$824.0 million dual currency dual tranche facility granted to the Company pursuant to the 2018 Facility Agreement.

“2018 Facility Agreement” means the facility agreement dated July 5, 2018, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, The Hongkong and Shanghai Banking Corporation Limited, as bookrunner and mandated lead arranger, The Bank of East Asia, Limited and Tai Fung Bank Limited as the mandated lead arrangers, The Hongkong and Shanghai Banking Corporation Limited, as coordinating arranger, the original lenders set forth therein, and The Hongkong and Shanghai Banking Corporation Limited, as the agent.

“2019 Facility” means the HK\$514.8 million and US\$40.0 million dual currency dual tranche facility granted to the Company pursuant to the 2019 Facility Agreement.

“2019 Facility Agreement” means the facility agreement dated July 8, 2019, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited as the mandated lead arrangers and bookrunners and the original lenders set forth therein.

“2023 Notes” means the US\$170.0 million 6.95% Senior Notes due 2023 issued by the Company on July 23, 2019 and an additional US\$250.0 million 6.95% Senior Notes due 2023 issued by the Company on June 17, 2020, consolidated to form a single series of notes pursuant to the 2023 Notes Indenture.

“2023 Notes Indenture” means the indenture dated July 23, 2019, as amended or supplemented from time to time, governing the 2023 Notes.

“2023 Notes Trustee” means Citicorp International Limited as trustee for the 2023 Notes.

“2024 Notes” means the US\$200.0 million 6.25% Senior Notes due 2024 issued by the Company on August 10, 2020 and an additional US\$150.0 million 6.25% Senior Notes due 2024 issued by the Company on September 29, 2020, consolidated to form a single series of notes pursuant to the 2024 Notes Indenture.

“2024 Notes Indenture” means the indenture dated August 10, 2020, as amended or supplemented from time to time, governing the 2024 Notes.

“2024 Notes Trustee” means Citicorp International Limited as trustee for the 2024 Notes.

“2025 Notes” means the US\$200.0 million 5.95% Senior Notes due 2025 issued by the Company on October 30, 2020, an additional US\$100.0 million 5.95% Senior Notes due 2025 issued by the Company on December 28, 2020 and an additional US\$100.0 million 5.95% Senior Notes due 2025 issued by the Company on January 11, 2021, consolidated to form a single series of notes pursuant to the 2025 Notes Indenture.

“2025 Notes Indenture” means the indenture dated October 30, 2020, as amended or supplemented from time to time, governing the 2025 Notes.

“2025 Notes Trustee” means Citicorp International Limited as trustee for the 2025 Notes.

“2026 Notes” means the US\$200.0 million 4.9% Senior Notes due 2026 issued by the Company on May 13, 2021 pursuant to the 2026 Notes Indenture.

“2026 Notes Indenture” means the indenture dated May 13, 2021, as amended or supplemented from time to time, governing the 2026 Notes.

“2026 Notes Trustee” means Citicorp International Limited as trustee for the 2026 Notes.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales or other dispositions of cash and Temporary Cash Investments;
- (3) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (4) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (5) 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;
- (6) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (7) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets”;
- (8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary; and
- (9) sales, transfers or other dispositions by the Listing Vehicle of up to 30% of the Capital Stock of the Listing Vehicle if (i) such Capital Stock is issued following the designation of the Listing Vehicle as an Unrestricted Subsidiary and (ii) such sale, transfer or disposition is made in connection with a Qualified IPO of the Listing Vehicle.

“Associate” means any Person of which at least 20% of the Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“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 bank accounts, deposits or other assets of the Company or a Restricted Subsidiary 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 the Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York or in London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, *provided that* Capitalized Lease shall not include any lease which would have been classified as “operating lease” before the adoption of GAAP 16.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided that* the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of each initial Subsidiary Guarantor owned by the Company or a Subsidiary Guarantor.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“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* (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided that* Consolidated Interest Expense shall not include (x) interest expense

attributable to leases which would have been classified as “operating leases” before the adoption of GAAP 16, and *provided further that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available 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 of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Debt Documents” means, collectively, the 2018 Facility Agreement, the 2019 Facility Agreement, the 2023 Notes Indenture, the First 2022 Notes Indenture, the Second 2022 Notes Indenture, the First 2020 Facility Agreement, the Second 2020 Facility Agreement, the 2024 Notes Indenture, the 2025 Notes Indenture, the Third 2022 Notes Indenture, the 2026 Notes Indenture, the First 2021 Facility Agreement, the Second 2021 Facility Agreement, the Fourth 2022 Notes Indenture, the Third 2021 Facility Agreement, the Fifth 2022 Notes Indenture the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness and any letters appointing any Agent or the Security Agent.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Euroclear” means Euroclear Bank SA/NV.

“Excluded Indebtedness” means any Indebtedness in respect of the Excluded Notes.

“Excluded Notes” means the Second 2022 Notes, the Fourth 2022 Notes and the Fifth 2022 Notes.

“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.

“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 international standing appointed by the Company.

“Fifth 2022 Notes” means the US\$100.0 million 5.0% Senior Notes due 2022 issued by the Company pursuant to the Fifth 2022 Notes Indenture.

“Fifth 2022 Notes Indenture” means the indenture dated October 5, 2021, as amended or supplemented from time to time, governing the Fifth 2022 Notes.

“Fifth 2022 Notes Trustee” means Citicorp International Limited as trustee for the Fifth 2022 Notes.

“First 2020 Facility” means the HK\$824.0 million triple tranche term facility granted to the Company pursuant to the First 2020 Facility Agreement.

“First 2020 Facility Agreement” means the term facility agreement dated May 13, 2020, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Industrial and Commercial Bank of China (Macau) Limited, as the arranger, the original lenders set forth therein, and Industrial and Commercial Bank of China (Macau) Limited, as the agent.

“First 2021 Facility” means the HK\$400 million term facility granted to the Company pursuant to the First 2021 Facility Agreement.

“First 2021 Facility Agreement” means the term facility agreement dated June 3, 2021, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, and Tai Fung Bank Limited, as the agent.

“First 2022 Notes” means the HK\$1.0 billion 6.0% Senior Notes due 2022 issued by the Company pursuant to the 2022 Notes Indenture.

“First 2022 Notes Indenture” means the indenture dated July 26, 2019, as amended and supplemented from time to time, governing the First 2022 Notes.

“First 2022 Notes Trustee” means Citicorp International Limited as trustee for the First 2022 Notes.

“First Redemption Date” means October 18, 2022.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal 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 be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“Fourth 2022 Notes” means the US\$200.0 million 4.0% Senior Notes due 2022 issued by the Company pursuant to the Fourth 2022 Notes Indenture.

“Fourth 2022 Notes Indenture” means the indenture dated July 26, 2021, as amended or supplemented from time to time, governing the Fourth 2022 Notes.

“Fourth 2022 Notes Trustee” means Citicorp International Limited as trustee for the Fourth 2022 Notes.

“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.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations or similar obligations incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided that* such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (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).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person.

“Independent Third Party” means any Person that is not an Affiliate of the Company. “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:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary incorporated under the laws of the PRC 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.

“Issue Amount” means the aggregate principal amount of the Notes issued on the Original Issue Date and any Additional Notes issued by the First Redemption Date.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor together with (x) any of its Restricted Subsidiaries that are providing JV Subsidiary Guarantees and (y) any of its shareholders that are giving JV Subsidiary Guarantees (each, a “JV Subsidiary Group”), an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Group and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Group and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the effective ownership interest of the Company and its Restricted Subsidiaries expressed as a percentage in the JV Subsidiary Group.

“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).

“Listed Subsidiaries” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd.

“Maturity Date” means January 15, 2024.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“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 such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

- (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” means the Exempted Subsidiaries, the Listed Subsidiaries, the Initial Non-Guarantor Subsidiaries, the New Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples of US\$1.

On the Offer to Purchase Payment Date, the Company shall to the extent lawful: (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) on one Business Day prior to the Offer to Purchase Payment Date, deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$150,000 or integral multiples

of US\$1. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture governing the Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchaser if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officer’s Certificate” means a certificate signed by one Officer.

“Opinion of Counsel” means a written opinion from legal counsel which is in form and substance acceptable to the Trustee and the Security Agent, as applicable. The counsel may be a counsel to the Company.

“Ordinary Course Operating Lease” means a lease entered into by a PRC Restricted Subsidiary in the ordinary course of its business with respect to a real property in China which has been developed and sold by another PRC Restricted Subsidiary to one or more investors, pursuant to which the PRC Restricted Subsidiary will (i) agree to pay the investors a pre-determined amount over a term of no more than 10 years and (ii) be entitled to manage such real property by providing management services and retaining any rental proceeds that may be collected from third party tenants of such real property.

“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* (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Business” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries (as described in the Offering Memorandum) on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Mr. Hoi Kin Hong (許健康), Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, their spouses or immediate family members or any trust established by any of them for their own benefit or for the benefit of any of their immediate family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;
- (16) advances or deposits paid to government authorities or government-affiliated or supervised entities in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets in the Company's balance sheet;
- (17) repurchases of the Notes; and
- (18) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided that:*
 - (i) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed in aggregate an amount equal to 35.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (18) 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 pursuant to this clause (18);
 - (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or
 - (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted 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 pursuant to this clause (18);

For the avoidance of doubt, the amount of Investments made after the Original Issue Date shall be calculated as if this clause (18) applied thereto.

- (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
- (iii) if any of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption "*— Limitation on Transactions with Shareholders and Affiliates*" (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company, or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such

Investment shall comply with the requirements set forth under the caption “— Limitation on Transactions with Shareholders and Affiliates”; and

- (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued at the time such Investment is made.

- (19) any Guarantees permitted to be Incurred under the covenant “— Limitation on Indebtedness and Preferred Stock;” and
- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, *provided that* (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the proposed Restructuring, and (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company; and (B) the aggregate of all Investments made under this clause (20) since the Original Issue Date shall not exceed an amount equal to 10.0% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 10.0% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture).

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security-Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (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 (g) of the second paragraph of the covenant 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 (including extensions and renewals thereof) upon real or personal property; *provided that* (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated 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 (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (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 Investment Properties, or Restricted Subsidiaries that own Investment Properties, securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause 2(q) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (21) Liens Incurred on deposits or other assets made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

- (22) 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;
- (23) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (24) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted to be Incurred under clause (2)(s) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(t) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (27) Liens securing Indebtedness Incurred under clause (2)(v) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1) and (13) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, (i) the Company in connection with any Bank Deposit Secured Indebtedness and (ii) the Restricted Subsidiaries; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f) or (g) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 25% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 4, 2017 and effective on November 5, 2017) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on November 17, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations). Since the Foreign Investment Law of the People’s Republic of China came into force on January 1, 2020, the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was then abolished. Foreign-funded enterprises are no longer categorized as Wholly Foreign-Owned Enterprises, Sino-foreign Equity Joint Ventures and Sino-foreign Cooperative Joint Ventures. PRC CJV formed under the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures before the Foreign Investment Law of the People’s Republic of China came into force may maintain their original business forms for another five years. The Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures was also replaced by the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China which came into force on January 1, 2020.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“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 or the Singapore Exchange Securities Trading Limited or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

“Qualified IPO” means an underwritten public offering of the common stock of the Listing Vehicle on a Recognized Stock Exchange where (i) following such public offering, at least 20% of the aggregate Fair Market Value of the common stock of the Listing Vehicle will be held by Persons who are not Affiliates of the Listing Vehicle and (ii) the proceeds to the Company or the Listing Vehicle, net of selling discounts and commissions, will be at least US\$50 million (or the Dollar Equivalent thereof).

“Rating Agencies” means (1) Moody’s and (2) if Moody’s shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba2” to “Ba3,” will constitute a decrease of one gradation).

“Rating Date” means, so long as the Notes are rated by at least one Rating Agency (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, so long as the Notes are rated by at least one Rating Agency (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, the Company 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 either of the Notes or the Company is rated by all such Rating Agencies that have assigned a rating to the Notes or the Company on the Rating Date as Investment Grade, such rating of the Notes or the Company by any such Rating Agency shall be below Investment Grade; or
- (b) in the event either of the Notes or the Company is rated below Investment Grade by any Rating Agency that has assigned a rating to the Notes or the Company on the Rating Date, such rating of the Notes or the Company by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, “Sale and Leaseback Transaction” shall not include the sale or transfer of real property to another Person that is leased by the Company or any Restricted Subsidiary pursuant to an Ordinary Course Operating Lease.

“Second 2020 Facility” means the HK\$546,000,000 and US\$50,000,000 (with incremental facilities of up to US\$300,000,000) dual currency dual tranche facility granted to the Company pursuant to the Second 2020 Facility Agreement.

“Second 2020 Facility Agreement” means the facility agreement dated June 30, 2020, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, China CITIC Bank International Limited, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited, as mandated lead arranger and bookrunner, the financial institutions set out therein, as original lenders, and The Hongkong and Shanghai Banking Corporation Limited, as the agent.

“Second 2021 Facility” means the US\$100 million triple tranche term facility granted to the Company pursuant to the Second 2021 Facility Agreement.

“Second 2021 Facility Agreement” means the term facility agreement dated July 9, 2021, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Luso International Banking Limited and The Bank of East Asia, Limited, Macau Branch, as the mandated lead arranger and coordinator, and Luso International Banking Limited, as the agent.

“Second 2022 Notes” means the US\$300.0 million 7.125% Senior Notes due 2022 issued by the Company pursuant to the Second 2022 Notes Indenture.

“Second 2022 Notes Indenture” means the indenture dated November 8, 2019, as amended and supplemented from time to time, governing the Second 2022 Notes.

“Second 2022 Notes Trustee” means Citicorp International Limited as trustee for the Second 2022 Notes.

“Secured Liabilities” means, collectively, the obligations under the Indenture, the 2023 Notes Indenture, the 2018 Facility, the 2019 Facility, the First 2022 Indenture, the Second 2022 Indenture, the First 2020 Facility, the Second 2020 Facility, the 2024 Notes Indenture, the 2025 Notes Indenture, the Third 2022 Notes Indenture, the 2026 Notes Indenture, the First 2021 Facility, the Second 2021 Facility, the Fourth 2022 Notes Indenture, the Third 2021 Facility, the Fifth 2022 Notes Indenture, the Permitted Pari Passu Secured Indebtedness and the Security Documents.

“Security Documents” means, collectively, the pledge agreements, the Intercreditor Agreement and any other agreements or instruments that may evidence or create any security interest in favor of the Security Agent in any or all of the Collateral.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means any Subsidiary that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of this Indenture, if any of the conditions exceeds 5 percent.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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.

“Subordinated Shareholder Loan” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is 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) does not provide any cash payment of interest.

“Subsidiary” means, with respect to any specified Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled”

and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the 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, the United Kingdom, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area, Hong Kong, Singapore or Australia, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with a bank or financial institution which is organized under the laws of the PRC or Hong Kong, or structured deposit products that are principal protected by any bank or financial institution organized under the laws of the PRC or Hong Kong, or any jurisdiction where 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.

“Third 2021 Facility” means the HK\$858 million dual-currency dual tranche term facility granted to the Company pursuant to the Third 2021 Facility Agreement.

“Third 2021 Facility Agreement” means the term facility agreement dated August 9, 2021, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Bank of Communications (Hong Kong) Limited, The Bank of East Asia, Limited, Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger and coordinator, and The Hongkong and Shanghai Banking Corporation Limited, as the agent.

“Third 2022 Notes” means the US\$200.0 million 3.90% Senior Notes due 2022 issued by the Company pursuant to the Third 2022 Notes Indenture.

“Third 2022 Notes Indenture” means the indenture dated April 14, 2021, as amended or supplemented from time to time, governing the Third 2022 Notes.

“Third 2022 Notes Trustee” means Citicorp International Limited as trustee for the Third 2022 Notes.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that* only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means PL North America — NJ Port Imperial. Inc., Powerlong (BVI) V Limited, Powerlong Commercial Group Holdings Limited, Powerlong Commercial Management Holdings Limited and (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

CAYMAN ISLANDS, BRITISH VIRGIN ISLANDS AND HONG KONG TAXATION

The following summary of certain Cayman Islands, British Virgin Islands and Hong Kong 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.

Cayman Islands

In the opinion of Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, the following is a discussion on 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 existing Cayman Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands.

In accordance with the provision of section 6 of the Tax Concessions Act (As Revised), the Governor in Cabinet has undertaken with the Company: (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable by the Company on or in respect of the shares, debentures or other obligations of the Company or by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from July 31, 2007. The Cayman Islands is not a party to any double tax treaties which are applicable to payments made by or to the Company.

British Virgin Islands

There is no income or other tax in 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.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (collectively, the “Securities”), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Dealer Manager:

1. You understand and acknowledge that: the Securities have not been registered under the Securities Act or any other applicable securities laws; the Securities are being offered in transactions that do not require registration under the Securities Act or any other securities laws; the Securities are being offered and sold only outside of the United States, to certain persons in offshore transactions in reliance on Rule 903 or 904 of Regulation S under the Securities Act; and unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Dealer Manager nor any person representing us or the Dealer Manager have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. We and the Trustee reserve the right to require in connection with any offer, sale or other transfer of the Securities, the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee and each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Dealer Manager, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Dealer Manager, the Trustee and the Transfer Agent. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
7. You understand that the July 2023 New Notes and the January 2024 New Notes will each be represented by a global note and that transfers thereto are restricted as described under “Description of the July 2023 New Notes — Global Clearance and Settlement Under the Book-Entry System,” and “Description of the January 2024 New Notes — Global Clearance and Settlement Under the Book-Entry System,” respectively.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law, Maples and Calder (Hong Kong) LLP as to matters of Cayman Islands law and British Virgin Islands law. Certain legal matters will be passed upon for the Dealer Manager by Linklaters as to matters of United States federal and New York law and Jingtian & Gongcheng and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon the Trustee by Mayer Brown as to matters of New York law.

INDEPENDENT AUDITOR

Our consolidated financial statements for each years ended December 31, 2019 and 2020 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Independent Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), as stated in the reports appearing herein and in our annual reports for the years ended December 31, 2019 and 2020, respectively. Our consolidated financial statements for the year ended December 31, 2021, reproduced in this offering memorandum have been audited by Elite Partners, Certified Public Accountants, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), as stated in the report appearing herein and in our annual reports for the year ended December 31, 2021.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. The issue of the New Notes have been authorized by a resolution of our board of directors dated on or about the date of this offering memorandum.

LITIGATION

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

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, 2021 that is material in the context of the issue of the New Notes.

DOCUMENTS AVAILABLE

For so long as any of the New Notes are outstanding, copies of the Indenture governing the New Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

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

CLEARING SYSTEM AND SETTLEMENT

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the New Notes is set forth below:

	<u>Common Code</u>	<u>ISIN</u>
July 2023 New Notes	250070063	XS2500700633
January 2024 New Notes	250070071	XS2500700716

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

LISTING OF THE NEW NOTES

Approval-in-principle has been received for the listing and quotation of the New Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). Approval in-principle for the listing and quotation of the New Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the New Notes. The New Notes will be traded on the SGX-ST in a minimum board lot size of US\$150,000 for so long as any of the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

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

INDEX TO FINANCIAL INFORMATION

	Page number in the published consolidated financial statements	Page number in this offering memorandum
• Our Consolidated Financial Statements as of and for the Year Ended December 31, 2019		
Independent Auditor’s Report	70	F-2
Consolidated Balance Sheet	74	F-6
Consolidated Statement of Comprehensive Income	76	F-8
Consolidated Statement of Changes in Equity	77	F-9
Consolidated Statement of Cash Flows	79	F-11
Notes to the Consolidated Financial Statements	81	F-13
	Page number in the published consolidated financial statements	Page number in this offering memorandum
• Our Consolidated Financial Statements as of and for the Year Ended December 31, 2020		
Independent Auditor’s Report	75	F-107
Consolidated Balance Sheet	80	F-112
Consolidated Statement of Comprehensive Income	82	F-114
Consolidated Statement of Changes in Equity	83	F-115
Consolidated Statement of Cash Flows	85	F-117
Notes to the Consolidated Financial Statements	87	F-119
	Page number in the published consolidated financial statements	Page number in this offering memorandum
• Our Consolidated Financial Statements as of and for the Year Ended December 31, 2021		
Independent Auditor’s Report	79	F-215
Consolidated Balance Sheet	84	F-220
Consolidated Statement of Comprehensive Income	86	F-222
Consolidated Statement of Changes in Equity	87	F-223
Consolidated Statement of Cash Flows	89	F-225
Notes to the Consolidated Financial Statements	91	F-227

Note:

The consolidated financial statements set out herein have been reproduced from our annual reports for the years ended December 31, 2019, 2020 and 2021. Page references used in this offering memorandum different from pages references set forth in the consolidated financial statements published in such annual and interim reports. The consolidated financial statements and the unaudited condensed consolidated interim financial information have not been specifically prepared for inclusion in this offering memorandum.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited

(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 174, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

羅兵咸永道會計師事務所·香港中環太子大廈 22 樓
電話：+852 2289 8888，傳真：+852 2810 9888，www.pwchk.com

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 matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 4(d) and 7 to the consolidated financial statements</p> <p>The Group's investment properties are stated at fair value. As at 31 December 2019, the Group's investment properties amounted to RMB51.1 billion, which represents 31% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2019 amounted to RMB2.4 billion.</p> <p>Independent external valuations were obtained for certain of the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key estimates and assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete.</p> <p>We paid significant attention to this area due to the material balance and fair value gain of investment properties to the Group's consolidated financial statements and there is critical judgement involved in determining the critical estimates and assumptions used in the valuations.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <p>(i) We evaluated the competence, capabilities and objectivity of the independent external valuer;</p> <p>(ii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key estimates and assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We compared the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions;</p> <p>(iii) We checked the accuracy and relevance of the input data used in the valuations;</p> <p>(iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date.</p> <p>We found the key estimates and assumptions used in the valuation of investment properties were supported by the available evidences.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 9 March 2020

CONSOLIDATED BALANCE SHEET

		31 December	
	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	2.2, 6	5,225,130	3,370,562
Land use rights	2.2, 6	–	1,181,965
Investment properties	2.2, 7	51,084,641	45,659,136
Investments accounted for using the equity method	16	5,593,928	4,127,443
Deferred income tax assets	25	592,882	499,343
Financial assets at fair value through other comprehensive income	15	382,139	348,461
		62,878,720	55,186,910
Current assets			
Properties under development	9	36,446,920	32,350,267
Completed properties held for sale	10	10,617,428	9,442,602
Contract assets		279,916	6,967
Trade receivables	11	1,986,680	1,519,989
Other receivables	12	16,496,617	14,732,697
Prepayments	13	8,892,891	2,014,617
Prepaid taxes		1,019,461	727,215
Financial assets at fair value through profit or loss	14	207,662	297,565
Restricted cash	18	3,365,115	935,935
Cash and cash equivalents	19	20,305,545	14,839,776
		99,618,235	76,867,630
Total assets		162,496,955	132,054,540
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	719,088	1,164,125
Other reserves	21	1,669,289	681,076
Retained earnings		29,451,835	25,442,263
		31,840,212	27,287,464
Perpetual Capital Instruments	22	820,364	1,552,254
Non-controlling interests		6,246,452	3,965,222
Total equity		38,907,028	32,804,940

CONSOLIDATED BALANCE SHEET

		31 December	
		2019	2018
		RMB'000	RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	23	39,942,307	34,380,408
Lease liabilities	8	197,515	–
Other payables	26	87,617	206,007
Deferred income tax liabilities	25	6,516,251	6,130,190
		46,743,690	40,716,605
Current liabilities			
Borrowings	23	15,320,774	12,977,220
Convertible bonds	24	–	1,743,638
Trade and other payables	26	29,972,583	20,725,848
Contract liabilities	27	22,694,564	16,444,184
Current income tax liabilities	28	8,625,998	6,642,105
Lease liabilities	8	232,318	–
		76,846,237	58,532,995
Total liabilities		123,589,927	99,249,600
Total equity and liabilities		162,496,955	132,054,540

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 74 to 174 were approved by the Board of Directors on 9 March 2020 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December			
	Note	2019 RMB'000	2018 RMB'000
Revenue	5	26,041,632	19,593,790
Cost of sales	29	(16,558,591)	(12,041,179)
Gross profit		9,483,041	7,552,611
Fair value gains on investment properties – net	7	2,394,403	2,500,520
Selling and marketing costs	29	(984,474)	(785,914)
Administrative expenses	29	(1,439,687)	(1,480,700)
Other income and gains – net	31	927,108	216,369
Operating profit		10,380,391	8,002,886
Finance costs – net	32	(899,775)	(1,376,659)
Share of profit of investments accounted for using the equity method	16	375,755	187,234
Profit before income tax		9,856,371	6,813,461
Income tax expense	33	(3,838,474)	(3,165,812)
Profit for the year		6,017,897	3,647,649
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	21	4,736	15,079
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21	25,259	158
Total other comprehensive income for the year, net of tax		29,995	15,237
Total comprehensive income for the year		6,047,892	3,662,886
Profit attributable to:			
Owners of the Company		4,041,116	2,837,007
Holders of Perpetual Capital Instruments		69,556	123,045
Non-controlling interests		1,907,225	687,597
		6,017,897	3,647,649
Total comprehensive income attributable to:			
Owners of the Company		4,071,111	2,852,244
Holders of Perpetual Capital Instruments		69,556	123,045
Non-controlling interests		1,907,225	687,597
		6,047,892	3,662,886
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	34		
– Basic		100.4	71.0
– Diluted		99.8	66.4

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2019							
Balance at 1 January 2019	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940
Comprehensive income:							
Profit for the year	-	-	4,041,116	4,041,116	69,556	1,907,225	6,017,897
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	-	25,259	-	25,259	-	-	25,259
– Currency translation differences	-	4,736	-	4,736	-	-	4,736
Total comprehensive income for the year	-	29,995	4,041,116	4,071,111	69,556	1,907,225	6,047,892
Transactions with owners:							
Proceeds from share placement (Note 20)	706,362	-	-	706,362	-	-	706,362
Dividends	(1,151,399)	-	-	(1,151,399)	-	(148,880)	(1,300,279)
Issuance of Perpetual Capital Instruments	-	-	-	-	500,000	-	500,000
Redemption of Perpetual Capital Instruments	-	-	-	-	(1,246,000)	-	(1,246,000)
Distribution to holders of Perpetual Capital Instruments	-	-	-	-	(55,446)	-	(55,446)
Capital contribution from non-controlling interests (Note 21(d))	-	926,674	-	926,674	-	522,885	1,449,559
Total transactions with owners	(445,037)	926,674	-	481,637	(801,446)	374,005	54,196
Appropriation to statutory reserves	-	31,544	(31,544)	-	-	-	-
Balance at 31 December 2019	719,088	1,669,289	29,451,835	31,840,212	820,364	6,246,452	38,907,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium	Other reserves	Retained earnings	Total	Perpetual Capital Instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 20)	(Note 21)			(Note 22)		
Year ended 31 December 2018							
Balance at 31 December 2017, as previously reported	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189
Adjustment on adoption of HKFRS 9, net of tax	–	(30,193)	30,193	–	–	–	–
Balance at 1 January 2018	2,066,162	626,789	22,644,306	25,337,257	1,722,363	2,414,569	29,474,189
Comprehensive income:							
Profit for the year	–	–	2,837,007	2,837,007	123,045	687,597	3,647,649
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	–	158	–	158	–	–	158
– Currency translation differences	–	15,079	–	15,079	–	–	15,079
Total comprehensive income for the year	–	15,237	2,837,007	2,852,244	123,045	687,597	3,662,886
Transactions with owners:							
Dividends	(902,037)	–	–	(902,037)	–	–	(902,037)
Issuance of Perpetual Capital Instruments	–	–	–	–	546,000	–	546,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(690,400)	–	(690,400)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(148,754)	–	(148,754)
Capital contribution from non-controlling interests	–	–	–	–	–	270,607	270,607
Change from joint ventures to subsidiaries	–	–	–	–	–	592,939	592,939
Disposal of a subsidiary	–	–	–	–	–	(490)	(490)
Total transactions with owners	(902,037)	–	–	(902,037)	(293,154)	863,056	(332,135)
Appropriation to statutory reserves	–	39,050	(39,050)	–	–	–	–
Balance at 31 December 2018	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	7,439,107	4,923,291
PRC corporate income tax paid		(919,143)	(628,469)
PRC land appreciation tax paid		(815,128)	(526,644)
Interest paid		(2,952,061)	(2,682,671)
Cash generated from operating activities – net		2,752,775	1,085,507
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		–	137,705
Net cash outflow in disposal of a subsidiary		–	(370)
Purchases of property and equipment		(656,633)	(286,178)
Payments for investment properties		(2,006,891)	(2,883,003)
Proceeds from disposal of equipment		107,648	2,489
Proceeds from disposal of investment properties		41,313	28,380
Purchases of financial assets at fair value through other comprehensive income		–	(6,000)
Purchase of financial assets at fair value through profit or loss		–	(140,611)
Proceeds from disposal of financial assets at fair value through profit or loss		53,515	–
Dividend received from financial assets at fair value through profit or loss		2,390	1,586
Investments in joint ventures and associates		(1,187,379)	(367,014)
Cash advances made to parties controlled by ultimate controlling shareholder		–	(19,815)
Cash advances made to joint ventures and associates		(5,652,526)	(6,270,868)
Collection of cash advances from joint ventures and associates		6,821,478	899,346
Collection of cash advances from other related parties		–	19,815
Proceeds from disposal of a joint venture		850,435	–
Interest received		273,177	166,947
Cash used in investing activities – net		(1,353,473)	(8,717,591)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		1,449,559	270,607
Proceeds from borrowings		20,941,234	19,820,561
Repayments of borrowings		(20,023,631)	(8,912,979)
Proceeds from corporate bonds		3,833,774	994,850
Repayments of corporate bonds		(3,330,613)	(3,327,697)
Proceeds from senior notes		5,403,911	3,774,996
Redemption of senior notes		–	(2,501,839)
Proceeds from convertible bonds		–	1,609,433
Repayments of convertible bonds		(1,701,689)	–
Proceeds from short-term commercial papers		1,599,280	300,000
Repayments of short-term commercial papers		(912,982)	–
Restricted cash pledged for borrowings		(2,131,043)	(212,789)
Cash advances from parties controlled by ultimate controlling shareholders		2,776	251,613
Cash advances from joint ventures and associates		2,506,237	3,011,531
Repayments of cash advances to parties controlled by ultimate controlling shareholders		(101,824)	(241,932)
Repayments of cash advances to joint ventures and associates		(2,149,524)	(564,083)
Proceeds from share placement		706,362	–
Dividends paid to owners of the Company		(1,151,399)	(902,037)
Distribution to holders of Perpetual Capital Instruments		(55,446)	(148,754)
Redemption of Perpetual Capital Instruments		(1,246,000)	(690,400)
Proceeds from issuance of Perpetual Capital Instruments		500,000	546,000
Principal elements of lease payments		(95,244)	–
Cash generated from financing activities – net		4,043,738	13,077,081
Net increase in cash and cash equivalents		5,443,040	5,444,997
Cash and cash equivalents at beginning of the year	19	14,839,776	9,386,757
Effect of foreign exchange rate changes		22,729	8,022
Cash and cash equivalents at end of the year	19	20,305,545	14,839,776

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services and other property development related services in the People’s Republic of China (the “PRC”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 9 March 2020.

These financial statements are presented on Renminbi (“RMB”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) *Compliance with HKFRSs and HKCO*

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

(iii) *New and amended standards and interpretation adopted by the Group*

HKFRS 16	Leases
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Save for the impact of adoption of HKFRS 16 set out in Note 2.2, the adoption of other new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) *New standards, amendments and interpretation not yet adopted*

The following new standards and amendments and interpretation to standards have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	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

These new and amended standards and revised framework are not expected to have a material impact on the consolidated financial statements of the Group.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial information and the new accounting policies that have been first applied from 1 January 2019.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.28.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.46%.

(i) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(i) *Practical expedients applied (continued)*

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(ii) *Measurement of lease liabilities*

The recognised lease liabilities are classified as below:

	1 January 2019 RMB'000
Current lease liabilities	82,335
Non-current lease liabilities	217,541
Total lease liabilities	299,876

(iii) *Measurement of right-of-use assets*

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as at 31 December 2019 and 1 January 2019, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy resulted from the adoption of HKFRS16 affected the following items in the balance sheet on 1 January 2019:

At 1 January 2019	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Trade and other payables RMB'000	Lease liabilities RMB'000
Opening balance, as previously reported	3,370,562	45,659,136	1,181,965	(20,725,848)	-
Reclassify from land use rights to right-of-use assets	1,181,965	-	(1,181,965)	-	-
Recognised lease liabilities and right-of-use assets	7,998	132,560	-	159,318	(299,876)
Opening balance, as restated	4,560,525	45,791,696	-	(20,566,530)	(299,876)

There was no impact on the Group's retained earnings as at 1 January 2019 as a result of the adoption of HKFRS 16.

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 HKFRS. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combinations (continued)

If the business combination is achieved in stages, 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 HKAS 39 either in profit or loss or as a change to other comprehensive income. 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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) 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 in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (continued)

2.3.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 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 after initially being recognised at cost. 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 investment in associates includes 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 the 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 profit of investments accounted for using equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate 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. Gain or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Joint arrangements

The Group has 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 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 identifiable assets and liabilities of the joint venture 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.

2.6 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 that makes strategic decisions.

2.7 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates 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 are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'Finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other income and gains – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of 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 balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased plants and equipment, the shorter lease term, as follows:

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 years
Right-of-use assets	2-70 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.9 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land and commercial buildings held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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 the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment property (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property 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 treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categorises its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as 'Other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 11 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.3 Impairment (continued)

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond a normal operating cycle.

2.14 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.16 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.18 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Convertible bonds

Convertible bonds issued by the Company includes debt, early redemption option and conversion option components.

At the date of issue, the debt, early redemption option and conversion option components are recognised at fair value. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option and conversion option components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt, early redemption option and conversion option components in proportion to their relative fair values. Transaction costs relating to the early redemption option and conversion option components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) *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 as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered 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"), which is a defined contribution retirement scheme for all employees in Hong Kong. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (continued)

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) Investment and operation of commercial properties

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(c) *Property management services*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value (losses)/gains on these assets, see Note 31 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 32 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.28 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

The Group leases various offices and commercial properties. Rental contracts are typically made for fixed periods of six months to eight years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset (included in "Property and equipment"(Note 6) and "Investment properties"(Note 7)) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset which was recognised as investment properties is carried at fair value at each reporting date after initial recognition and others being included in property and equipment is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 12 months or less.

(i) *Variable lease payments*

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in profit or loss when the events or conditions that triggers those payments occurs.

(ii) *Extension and termination options*

Extension and termination options are included in a number of property and equipment leases of the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

(ii) *Extension and termination options (continued)*

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 7). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 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 owners of the Company.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) *Market risk*

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2019, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, FVOCI, FVPL, other payables and borrowings, which are dominated in Hong Kong dollar ("HK\$") or US dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Financial assets		
– HK\$	2,059,063	568,455
– US\$	1,151,223	61,151
	3,210,286	629,606
Financial liabilities		
– HK\$	3,456,264	4,216,332
– US\$	14,330,741	9,454,330
	17,787,005	13,670,662

The aggregate net foreign exchange losses recognised in profit or loss were:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net foreign exchange (gains)/losses included in other income and gains-net	(1,406)	3,305
Exchange losses on foreign currency borrowings included in finance costs-net	167,881	806,627
Total net foreign exchange losses recognised in profit before income tax for the year	166,475	809,932

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) *Market risk (continued)*

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK\$	69,860	182,394
– US\$	658,976	469,659
	728,836	652,053
5% weakened in RMB against the relevant currencies		
– HK\$	(69,860)	(182,394)
– US\$	(658,976)	(469,659)
	(728,836)	(652,053)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2019, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB22,711,233,000 (2018: RMB19,617,127,000). If interest rates on borrowings at floating rates as at 31 December 2019 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB113,556,000 (2018: RMB98,086,000), most of which would have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) *Market risk (continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI and financial assets at FVPL held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2019 would increase/decrease by approximately RMB10,383,000 (2018: increase/decrease by approximately RMB14,878,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB14,330,000 higher/lower (2018: RMB13,067,000 higher/lower).

(b) *Credit risk*

The Group is exposed to credit risk in relation to its contract assets, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

For trade receivables and contract assets arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser 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 property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 37.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of 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 accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days of initial recognition.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period. The loss allowance provision of trade receivables as at 31 December 2019 is set out in Note 11.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) *Liquidity risk (continued)*

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 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					
Borrowings	18,528,039	19,923,878	18,129,928	8,841,723	65,423,568
Trade and other payables (Note (a))	29,294,998	87,617	–	–	29,382,615
Lease liabilities	240,346	120,228	102,323	–	462,897
	48,063,383	20,131,723	18,232,251	8,841,723	95,269,080
At 31 December 2018					
Borrowings	15,813,633	18,450,266	15,172,684	5,029,430	54,466,013
Convertible bonds	1,791,937	–	–	–	1,791,937
Trade and other payables (Note (a))	20,305,016	137,674	68,333	–	20,511,023
	37,910,586	18,587,940	15,241,017	5,029,430	76,768,973

Note:

(a) It represents payables excluding salaries payables and other taxes payables.

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guaranteed purchasers, joint ventures or associates default the repayment (Note 37).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and convertible bonds less cash and cash equivalents (Note 19) and less guarantee deposits for bank borrowings included in restricted cash (Note 18(c)). Total borrowings comprise senior notes, corporate bonds, short-term commercial papers, bank borrowings and other borrowings (Note 23). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2019 and 2018 are as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Note 23)	55,263,081	47,357,628
Add: convertible bonds (Note 24)	–	1,743,638
Less: cash and cash equivalents (Note 19)	(20,305,545)	(14,839,776)
Less: guarantee deposits for bank borrowings (Note 18(c))	(2,655,832)	(524,789)
Net debt	32,301,704	33,736,701
Total equity	38,907,028	32,804,940
Total capital	71,208,732	66,541,641
Gearing ratio	45.4%	50.7%

The decrease in the gearing ratio during 2019 is primarily due to the increase in the Group's total equity as a result of the profit for the current year and the capital injection by non-controlling interest.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019 and 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2019				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	52,310	155,352	–	207,662
Financial assets at fair value through other comprehensive income (Note 15)	–	–	382,139	382,139
Total	52,310	155,352	382,139	589,801
At 31 December 2018				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	155,189	142,376	–	297,565
Financial assets at fair value through other comprehensive income (Note 15)	–	–	348,461	348,461
Total	155,189	142,376	348,461	646,026

There were no transfers between levels during the year.

(a) *Financial instruments in level 1*

As at 31 December 2019, the Group's financial assets at fair value through profit or loss which are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. 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. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(c) *Financial instruments in level 3*

The fair value of financial instruments included in level 3 is disclosed in Note 15.

The judgements and estimates made in determining the fair value of the Group's non-financial assets that are recognised and measured at fair value (representing the investment properties) have been disclosed in Notes 4(d) and 7.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and 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 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.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income 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 and deferred tax provision in the year in which such determination is made.

Deferred income 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.

(b) PRC land appreciation taxes

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 its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the 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 taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Recoverability of contract assets and trade and other receivables

The management assesses the recoverability of contract assets and trade and other receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(d) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.9.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2019 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2019 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management, and other property development related businesses. Other property development related businesses are mainly operations of hotels. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income from provision of commercial operational services and residential property management services and other property development related businesses. Revenue of the year consists of the following:

	Year ended 31 December	
	2019 RMB’000	2018 RMB’000
Sales of properties	22,477,631	16,667,415
Rental income of investment properties	1,419,940	1,123,555
Income from provision of commercial operational services and residential property management services	1,392,768	1,125,083
Income of other property development related businesses	751,293	677,737
	26,041,632	19,593,790

5 SEGMENT INFORMATION (CONTINUED)

- (a) Segment results represent the profit earned by each segment without fair value gains/losses on financial assets, gains/losses on disposal of financial assets, dividend income of financial assets, unallocated operating costs, finance costs-net and income tax expense. The segment results and other segment items for the year ended 31 December 2019 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	22,477,631	1,513,619	1,620,457	751,293	-	26,363,000
Inter-segment revenue	-	(93,679)	(227,689)	-	-	(321,368)
Revenue	22,477,631	1,419,940	1,392,768	751,293	-	26,041,632
Share of post-tax profits of joint ventures	225,003	-	-	-	-	225,003
Share of post-tax profits/ (losses) of associates	150,973	-	-	(221)	-	150,752
Segment results	8,308,362	3,367,105	153,633	(107,659)	-	11,721,441
Fair value losses on financial assets at fair value through profit or loss						(32,395)
Losses on disposal of financial assets at fair value through profit or loss						(3,993)
Dividend income of financial assets						2,390
Unallocated operating costs						(931,297)
Finance costs – net						(899,775)
Profit before income tax						9,856,371
Income tax expense						(3,838,474)
Profit for the year						6,017,897
Depreciation and amortisation recognised as expenses (Note 6)	80,115	-	3,872	189,019	-	273,006
Fair value gains/(losses) on investment properties – net (Note 7)	-	2,461,812	(67,409)	-	-	2,394,403

5 SEGMENT INFORMATION (CONTINUED)

(a) (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	16,667,415	1,123,555	1,277,365	677,737	-	19,746,072
Inter-segment revenue	-	-	(152,282)	-	-	(152,282)
Revenue	16,667,415	1,123,555	1,125,083	677,737	-	19,593,790
Share of post-tax profits of joint ventures	102,767	-	-	-	-	102,767
Share of post-tax profits/ (losses) of associates	85,323	-	-	(856)	-	84,467
Segment results	5,653,640	3,122,393	122,515	(112,944)	-	8,785,604
Other income and gains-net						216,369
Unallocated operating costs						(811,853)
Finance costs – net						(1,376,659)
Profit before income tax						6,813,461
Income tax expense						(3,165,812)
Profit for the year						3,647,649
Depreciation (Note 6)	60,825	-	6,091	133,433	-	200,349
Amortisation of land use rights recognised as expenses (Note 6)	-	-	-	33,117	-	33,117
Fair value gains on investment properties – net (Note 7)	-	2,500,520	-	-	-	2,500,520

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2019 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	90,943,400	53,632,823	3,039,962	6,192,617	(5,695,015)	148,113,787
Other assets						14,383,168
Total assets						162,496,955
Segment assets include:						
Interests in joint ventures	3,862,523	-	4,700	-	-	3,867,223
Interests in associates	1,681,040	-	-	45,665	-	1,726,705
Segment liabilities	43,203,510	3,002,928	1,463,645	4,614,762	(5,695,015)	46,589,830
Other liabilities						77,000,097
Total liabilities						123,589,927
Capital expenditure	393,945	2,786,741	155,065	323,690	-	3,659,441

Segment assets, liabilities and interests in joint ventures and an associate as at 31 December 2018 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	69,471,350	47,870,178	1,752,372	4,814,650	(5,325,247)	118,583,303
Other assets						13,471,237
Total assets						132,054,540
Segment assets include:						
Interests in joint ventures	3,151,990	-	-	-	-	3,151,990
Interests in associates	929,568	-	-	45,885	-	975,453
Segment liabilities	28,955,446	2,771,337	1,027,149	3,807,519	(5,325,247)	31,236,204
Other liabilities						68,013,396
Total liabilities						99,249,600
Capital expenditure	74,778	4,091,436	2,553	297,151	-	4,465,918

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Segment assets	148,113,787	118,583,303
Other assets		
– Prepaid taxes	1,019,461	727,215
– Deferred income tax assets	592,882	499,343
– Unallocated cash and cash equivalents and restricted cash	4,674,339	3,020,704
– Other receivables from related parties (Note 39(d))	7,408,233	8,456,228
– Unallocated property and equipment	76,940	108,144
– Other corporate assets	21,512	13,577
– Financial assets at fair value through other comprehensive income (Note 15)	382,139	348,461
– Financial assets at fair value through profit or loss (Note 14)	207,662	297,565
Total assets	162,496,955	132,054,540

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Segment liabilities	46,589,830	31,236,204
Other liabilities		
– Current income tax liabilities	8,625,998	6,642,105
– Deferred income tax liabilities	6,516,251	6,130,190
– Current borrowings	15,320,774	12,977,220
– Convertible bonds	–	1,743,638
– Non-current borrowings	39,942,307	34,380,408
– Other payables to related parties (Note 39(d))	5,956,236	5,686,893
– Dividend payables to non-controlling interests	148,880	–
– Other corporate liabilities	489,651	452,942
Total liabilities	123,589,927	99,249,600

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

5 SEGMENT INFORMATION (CONTINUED)

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6) and investment properties (Note 7).

(c) Changes in accounting policy

The adoption of the new leasing standard described in Note 2.2 had the following impact on the segment disclosures in the current year.

	Fair value losses on investment properties RMB'000	Increase		
		Depreciation RMB'000	Segment assets RMB'000	Segment liabilities RMB'000
Commercial operation and residential property management	67,409	-	209,045	369,634
Property development	-	6,384	14,039	14,250
	67,409	6,384	223,084	383,884

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Right-of use assets RMB'000	Total RMB'000
Year ended 31 December 2019						
Opening net book amount at 1 January 2019, as previously reported	539,933	2,661,470	28,644	140,515	–	3,370,562
Change in accounting policy (Note 2.2)	–	–	–	–	1,189,963	1,189,963
Opening net book amount as at 1 January 2019, as restated	539,933	2,661,470	28,644	140,515	1,189,963	4,560,525
Additions	360,082	24,401	5,401	14,005	324,917	728,806
Transfer from completed properties held for sale	–	396,773	–	–	–	396,773
Transfer to completed properties held for sale	(62,012)	–	–	–	(28,941)	(90,953)
Transfers	(94,897)	94,897	–	–	–	–
Disposals	–	(85,827)	(8,551)	(2,637)	–	(97,015)
Depreciation	–	(185,820)	(6,808)	(34,816)	(45,562)	(273,006)
Closing net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130
At 31 December 2019						
Cost	743,106	3,734,225	86,131	375,415	1,641,826	6,580,703
Accumulated depreciation	–	(828,331)	(67,445)	(258,348)	(201,449)	(1,355,573)
Net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130
Year ended 31 December 2018						
Opening net book amount	830,514	2,531,051	17,806	149,174	–	3,528,545
Additions	120,229	56,163	–	16,664	25,581	218,637
Consolidations of entities previously held as joint ventures	–	–	1,216	–	502	1,718
Transfers	(410,810)	410,810	–	–	–	–
Disposals	–	(175,500)	–	(212)	(2,277)	(177,989)
Depreciation	–	(161,054)	(6,830)	(32,465)	–	(200,349)
Closing net book amount	539,933	2,661,470	28,644	140,515	–	3,370,562
At 31 December 2018						
Cost	539,933	3,322,065	102,330	375,400	–	4,339,728
Accumulated depreciation	–	(660,595)	(73,686)	(234,885)	–	(969,166)
Net book amount	539,933	2,661,470	28,644	140,515	–	3,370,562

6 PROPERTY AND EQUIPMENT AND LAND USE RIGHTS (CONTINUED)

Land use rights:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening net book amount	–	1,059,237
Additions	–	155,845
Amortisation charges	–	(33,117)
Ending net book amount	–	1,181,965

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of sales	222,406	180,926
Selling and marketing costs	3,609	2,606
Administrative expenses	46,991	49,934
	273,006	233,466

Right-of-use assets comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2019, property and equipment and land use rights with a net book amount of RMB3,345,050,000 (2018: RMB2,660,766,000) were pledged as collateral for the Group's borrowings (Note 23).

Borrowing costs of RMB97,058,000 (2018: RMB85,847,000) have been capitalised in assets under construction for the year ended 31 December 2019.

The capitalisation rate of borrowings for the year ended 31 December 2019 was 6.25% (2018: 6.42%).

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2019			
Opening net book amount as at 1 January 2019, as previously reported	39,372,689	6,286,447	45,659,136
Change in accounting policy (Note 2.2)	132,560	–	132,560
Opening net book amount, as at 1 January 2019, as restated	39,505,249	6,286,447	45,791,696
Additions	208,731	2,721,904	2,930,635
Transfers	6,073,400	(6,073,400)	–
Fair value gains – net	822,896	1,571,507	2,394,403
Disposals	(32,093)	–	(32,093)
At 31 December 2019	46,578,183	4,506,458	51,084,641
Year ended 31 December 2018			
At 1 January 2018	34,145,966	5,071,703	39,217,669
Additions	261,103	3,830,333	4,091,436
Transfers	3,898,223	(3,898,223)	–
Fair value gains – net	1,217,886	1,282,634	2,500,520
Transfer to completed properties held for sale – net	(128,205)	–	(128,205)
Disposals	(22,284)	–	(22,284)
At 31 December 2018	39,372,689	6,286,447	45,659,136

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Rental income (Note 5)	1,419,940	1,123,555
Direct operating expenses arising from investment properties that generate rental income	(352,976)	(244,792)
Direct operating expenses arising from investment properties that do not generate rental income	(171,963)	(130,612)

Investment properties as at 31 December 2019 are held in the PRC on leases between 10 to 50 years (2018: 10 to 50 years).

7 INVESTMENT PROPERTIES (CONTINUED)

Borrowing costs of RMB388,575,000 (2018: RMB657,539,000) have been capitalised in investment properties under construction for the year ended 31 December 2019. The capitalisation rate of borrowings for the year ended 31 December 2019 was 6.25% (2018: 6.42%).

As at 31 December 2019, investment properties of RMB28,106,568,000 (2018: RMB31,560,192,000) were pledged as collateral for the Group's borrowings (Note 23).

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2019. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2019, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers to or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

7 INVESTMENT PROPERTIES (CONTINUED)

(ii) Valuation processes of the Group (continued)

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and car parks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation 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.

For car parks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land 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.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation 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.

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	42,771,589	Term and reversionary method	Term yields	3.5%-6.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	67-283	The higher the market rents, the higher the fair value
	Car parks	3,806,594	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	3,637,254	Residual method	Market rents (RMB/square meter/month)	67-102	The higher the market rents, the higher the fair value
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	629-4,044	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10.0%-20.0%	The higher the developer's profit, the lower the fair value
	Car parks	869,204	Residual method	Market price (RMB/per car park)	75,000-320,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	95-2,134	The higher the budgeted construction costs to be incurred, the lower the fair value
			Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value	

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	36,444,226	Term and reversionary method	Term yields	3.5%-6.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	62-304	The higher the market rents, the higher the fair value
Investment properties under construction	Car parks	2,928,463	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
				Commercial properties	5,665,714	Residual method
	Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value			
	Budgeted construction costs to be incurred (RMB/sq.m)	1,523-3,213	The higher the budgeted construction costs to be incurred, the lower the fair value			
	Developer's profit (%)	10.0%-15.0%	The higher the developer's profit, the lower the fair value			
	Car parks	620,733	Residual method	Market price (RMB/per car park)		
	Budgeted construction costs to be incurred (RMB/sq.m)	368-2,261		The higher the budgeted construction costs to be incurred, the lower the fair value		
Developer's profit (%)	10.0%-15.0%	The higher the developer's profit, the lower the fair value				

8 LEASES

(i) Amounts recognised in the consolidated balance sheet relating to leases

	31 December 2019	1 January 2019 (Note 2.2)
	RMB'000	RMB'000
Right-of-use assets		
Property and equipment	1,440,377	1,189,963
Investment properties	209,045	132,560
	1,649,422	1,322,523
Lease liabilities		
Current	232,318	82,335
Non-current	197,515	217,541
	429,833	299,876

(ii) Amounts recognised in the consolidated statement of comprehensive income relating to leases

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Depreciation and amortisation charge (Note 6)		
Land use rights	(39,178)	(33,117)
Other properties	(6,384)	–
	(45,562)	(33,117)
Fair value losses relating to investment properties	67,409	–
Interest expense (included in finance cost)	21,341	–
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	11,618	–
Expense relating to variable leases payments not included in lease liabilities (included in cost of goods sold)	14,391	–
Cash outflows for lease payments (including principal elements and relevant interest expenses)	95,244	–

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2019 RMB'000	2018 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	11,105,411	7,655,046
– Interests capitalised	4,231,126	3,085,253
– Land use rights	21,110,383	21,609,968
	36,446,920	32,350,267

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2019, properties under development of approximately RMB20,668,199,000 (2018: RMB18,288,430,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings for the year ended 31 December 2019 was 6.25% (2018: 6.42%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2019, completed properties held for sale of approximately RMB5,103,603,000 (2018: RMB3,258,498,000) were pledged as collateral for the Group's borrowings (Note 23).

11 TRADE RECEIVABLES

	31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables	2,032,754	1,539,849
– Third parties	2,020,186	1,533,235
– Related parties (Note 39(d))	12,568	6,614
Less: loss allowance	(46,074)	(19,860)
	1,986,680	1,519,989

11 TRADE RECEIVABLES (CONTINUED)

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	1,522,726	1,330,017
Over 90 days and within 180 days	20,447	63,076
Over 180 days and within 365 days	108,479	91,778
Over 365 days	381,102	54,978
	2,032,754	1,539,849

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB46,074,000 was made against the gross amounts of trade receivables (2018: RMB19,860,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	19,860	25,474
Provision for impairment	28,554	1,538
Receivables written off during the year as uncollectible	(2,340)	(1,938)
Unused amount reverse	–	(5,214)
At 31 December	46,074	19,860

- (b) As at 31 December 2019 and 2018, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables.
- (c) The Group's trade receivables are mainly denominated in RMB.

12 OTHER RECEIVABLES

	31 December	
	2019 RMB'000	2018 RMB'000
Deposits for acquisition of land use rights	667,810	83,000
Other receivables from:	15,828,807	14,649,697
– Related parties (Note 39(d))	7,408,233	8,456,228
– Non-controlling interests (Note (c))	6,183,065	4,261,886
– Other amounts due from third parties (Note (d))	2,237,509	1,931,583
	16,496,617	14,732,697

- (a) The Group's other receivables are mainly denominated in RMB.
- (b) Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB2,235,424,000 (2018: RMB1,488,173,000) bearing interest at average rate of 7.38% per annum (2018: 7.76%) and repayable within one year.
- (c) Other receivables from non-controlling interests are unsecured, interest free and repayable on demand.
- (d) Other receivables from third parties mainly consist of deposits for construction projects.
- (e) The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

13 PREPAYMENTS

	31 December	
	2019 RMB'000	2018 RMB'000
Acquisition of land use rights (Note (a))	8,577,064	1,861,210
Others	315,827	153,407
	8,892,891	2,014,617

- (a) Prepayments for land acquisitions are made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 38(a)).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL comprise: equity investments that are held for trading, and equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening amounts as at 1 January	297,565	28,953
Adjustment on opening balance – reclassified from available-for-sale financial asset	–	120,257
Additions	–	140,611
Fair value (losses)/gains (Note 31)	(32,395)	7,744
Disposals	(57,508)	–
Closing amounts as at 31 December	207,662	297,565

FVPL comprise the following individual investments:

	31 December	
	2019 RMB'000	2018 RMB'000
Hong Kong listed equity securities	52,310	155,189
Investment fund	155,352	142,376
	207,662	297,565

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification and measurement

FVOCI comprise: equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening amounts as at 1 January	348,461	–
Adjustment on opening balance upon the adoption of HKFRS9 in the prior year	–	342,250
Additions	–	6,000
Net gains recognised in other comprehensive income	33,678	211
Closing amounts as at 31 December	382,139	348,461

Equity investments at FVOCI comprise the following individual investments:

	31 December	
	2019 RMB'000	2018 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (i))	367,287	333,528
– Other unlisted equity investments	14,852	14,933
	382,139	348,461

- (i) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2019, the fair value of this 5% equity interest was derived by using the market approach.

(b) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 31 December 2019 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

The amounts recognised in the balance sheet are as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Investments in joint ventures	3,867,223	3,151,990
Investments in associates	1,726,705	975,453
	5,593,928	4,127,443

The profit recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Joint ventures (Note (a))	225,003	102,767
Associates (Note (b))	150,752	84,467
	375,755	187,234

(a) Joint ventures

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	3,151,990	3,602,736
Additions	584,461	38,896
Transfer to subsidiaries	–	(597,010)
Disposal	(44,581)	–
Currency translation differences	4,736	15,079
Share of profits – net	225,003	102,767
Elimination of unrealised profits	(54,386)	(10,478)
At 31 December	3,867,223	3,151,990

The contingent liabilities relating to the Group's financial guarantee provided for the joint ventures are disclosed in Note 37. There is no commitment relating to the Group's interests in the joint ventures.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)**(b) Associates**

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	975,453	584,407
Additions	602,918	328,118
Share of profits – net	150,752	84,467
Elimination of unrealised profits	(2,418)	(21,539)
At 31 December	1,726,705	975,453

The contingent liabilities relating to the Group's financial guarantee provided for the associates are disclosed in Note 37. There is no commitment relating to the Group's interests in the associates.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost:	42,153,957	32,028,397
Trade receivables	1,986,680	1,519,989
Other receivables	16,496,617	14,732,697
Restricted cash	3,365,115	935,935
Cash and cash equivalents	20,305,545	14,839,776
FVOCI	382,139	348,461
FVPL	207,662	297,565
	42,743,758	32,674,423

Financial liabilities

	31 December	
	2019 RMB'000	2018 RMB'000
Financial liabilities at amortised cost:		
Borrowings	55,263,081	47,357,628
Convertible bonds	–	1,743,638
Trade and other payables excluding other taxes and salaries payables	29,382,615	20,511,023
Lease liabilities	429,833	–
	85,075,529	69,612,289

18 RESTRICTED CASH

	31 December	
	2019 RMB'000	2018 RMB'000
Guarantee deposits for construction projects (Note (a))	618,040	382,595
Guarantee deposits for bank acceptance notes (Note (b))	10,417	1,153
Guarantee deposits for bank borrowings (Note (c))	2,655,832	524,789
Others	80,826	27,398
	3,365,115	935,935
Denominated in:		
– RMB	2,667,494	935,935
– US\$	697,621	–
	3,365,115	935,935

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) As at 31 December 2019, the Group has placed cash deposits of approximately RMB10,417,000 (2018: RMB1,153,000) with designated banks as guarantee for the issuance of bank acceptance notes.
- (c) As at 31 December 2019, the Group has placed cash deposits of approximately RMB2,655,832,000 (2018: RMB524,789,000) with designated banks as security for bank borrowings (Note 23).

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 regulations of foreign exchange control promulgated by the PRC government.

19 CASH AND CASH EQUIVALENTS

	31 December	
	2019 RMB'000	2018 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	18,298,660	14,810,786
– Denominated in HK\$	1,607,318	21,669
– Denominated in US\$	399,567	7,321
	20,305,545	14,839,776

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 regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
As at 1 January 2018, 31 December 2018 and 31 December 2019	30,000,000,000			
Issued and fully paid:				
As at 1 January 2019	3,997,303,000	35,486	1,128,639	1,164,125
Proceeds from share placement (Note a)	146,600,000	1,323	705,039	706,362
Dividends (Note 35)	–	–	(1,151,399)	(1,151,399)
As at 31 December 2019	4,143,903,000	36,809	682,279	719,088
As at 1 January 2018	3,997,303,000	35,486	2,030,676	2,066,162
Dividends (Note 35)	–	–	(902,037)	(902,037)
As at 31 December 2018	3,997,303,000	35,486	1,128,639	1,164,125

- (a) On 23 October 2019, 146,600,000 shares of the Company were placed to certain independent placees at a price of HK\$5.40 per share.

21 OTHER RESERVES

	Merger reserve	Other reserves	Statutory reserves	Revaluation reserves	Capital injection by non- controlling interests	Transaction with non- controlling interests	Total
	RMB'000 (Note (a))	RMB'000 (Note (c))	RMB'000 (Note (b))	RMB'000 (Note(c))	RMB'000 (Note(d))	RMB'000	RMB'000
Balance at 1 January 2019	337,203	(1,179)	95,746	247,700	-	1,606	681,076
Change in fair value of FVOCI, net of tax	-	-	-	25,259	-	-	25,259
Appropriation to statutory reserves	-	-	31,544	-	-	-	31,544
Currency translation differences	-	4,736	-	-	-	-	4,736
Capital contribution from non-controlling interests	-	-	-	-	926,674	-	926,674
Balance at 31 December 2019	337,203	3,557	127,290	272,959	926,674	1,606	1,669,289
Balance at 31 December 2017, as previously reported	337,203	(16,258)	56,696	277,735	-	1,606	656,982
Adjustment on adoption of HKFRS 9, net of tax	-	-	-	(30,193)	-	-	(30,193)
Balance at 1 January 2018	337,203	(16,258)	56,696	247,542	-	1,606	626,789
Change in fair value of FVOCI, net of tax	-	-	-	158	-	-	158
Appropriation to statutory reserves	-	-	39,050	-	-	-	39,050
Currency translation differences	-	15,079	-	-	-	-	15,079
Balance at 31 December 2018	337,203	(1,179)	95,746	247,700	-	1,606	681,076

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

21 OTHER RESERVES (CONTINUED)**(c) Other comprehensive income**

	Year ended 31 December 2019		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss: Currency translation differences (Note 16(a))	4,736	–	4,736
Items that will not be reclassified subsequently to profit or loss: Fair value gains on FVOCI – gross (Note 15)	–	33,678	33,678
Tax charge – deferred income tax	–	(8,419)	(8,419)
Total other comprehensive income – net of tax	4,736	25,259	29,995

	Year ended 31 December 2018		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss: Currency translation differences (Note 16(a))	15,079	–	15,079
Items that will not be reclassified subsequently to profit or loss: Fair value gains on FVOCI – gross (Note 15)	–	211	211
Tax charge – deferred income tax	–	(53)	(53)
Total other comprehensive income – net of tax	15,079	158	15,237

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group will transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(d) Capital injection by non-controlling interests

A subsidiary of the Group, Powerlong Commercial Management Holdings Limited (“Powerlong CM”) issued 150,000,000 H shares at a nominal value of HK\$0.01 per share (“Powerlong CM’s New Issue”). Such shares were offered at HK\$9.5 per share and listed on the Main Board of Hong Kong Stock Exchange on 30 December 2019. Net proceeds from Powerlong CM’s New Issue amounted to RMB1,236,907,000. The Company’s equity interest in Powerlong CM was diluted from 100% to 75% as a result of Powerlong CM’s New Issue and Powerlong CM is still the subsidiary of the Company after its listing. The difference between the net proceeds from Powerlong CM’s New Issue and the carrying amount of the diluted net assets of RMB926,674,000 was recorded as a credit to the other reserves.

22 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2019	1,546,000	6,254	1,552,254
Issuance of Perpetual Capital Instruments	500,000	–	500,000
Redemption of Perpetual Capital Instruments	(1,246,000)	–	(1,246,000)
Profit attributable to holders of Perpetual Capital Instruments	–	69,556	69,556
Distribution to holders of Perpetual Capital Instruments	–	(55,446)	(55,446)
Balance as at 31 December 2019	800,000	20,364	820,364
Balance as at 1 January 2018	1,690,400	31,963	1,722,363
Issuance of Perpetual Capital Instruments	546,000	–	546,000
Redemption of Perpetual Capital Instruments	(690,400)	–	(690,400)
Profit attributable to holders of Perpetual Capital Instruments	–	123,045	123,045
Distribution to holders of Perpetual Capital Instruments	–	(148,754)	(148,754)
Balance as at 31 December 2018	1,546,000	6,254	1,552,254

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

23 BORROWINGS

	31 December	
	2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	13,073,322	7,529,298
Corporate bonds (Note (b))	9,488,475	9,202,345
Bank borrowings (Note (c))	26,049,451	23,836,141
– secured	25,910,556	23,678,425
– unsecured	138,895	157,716
Other borrowings – secured (Note (d))	1,476,200	3,399,400
Less: current portion of non-current borrowings	(10,145,141)	(9,586,776)
	39,942,307	34,380,408
Borrowings included in current liabilities:		
Bank borrowings – secured (Note (c))	3,498,953	2,184,344
Other borrowings – secured (Note (d))	677,400	906,100
Short-term commercial papers	999,280	300,000
Current portion of long-term borrowings	10,145,141	9,586,776
	15,320,774	12,977,220
Total borrowings	55,263,081	47,357,628

23 BORROWINGS (CONTINUED)

(a) Senior notes

On 15 September 2016, the Company issued 4.875%, five years senior notes, with an aggregated principal amount of US\$200,000,000 at 99.018% discount to face value ("2021 Notes I"). The net proceeds, after deducting the issuance costs, amounted to US\$195,006,519 (equivalent to approximately RMB1,304,496,000).

On 19 July 2017, the Company issued 5.95%, three years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.191% discount to face value; on 28 July 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US\$100,000,000 at 99.196% discount of the face value ("Existing Notes"). The net proceeds, after deducting the issuance costs, amounted to US\$294,698,861 (equivalent to approximately RMB1,987,774,000).

On 8 August 2018, the Company issued 5.95%, two years senior notes, with an aggregated nominal value of US\$250,000,000 at 94.702% discount to face value ("New Notes" and together with Existing Notes, "2020 Notes"). The terms and conditions for the New Notes are the same as those for the Existing Notes in all respects except for the issue date and issue price. The net proceeds, after deducting the issuance costs, amounted to US\$234,500,000 (equivalent to approximately RMB1,616,114,000).

On 17 April 2018, the Company issued 6.95%, three years senior notes, with an aggregated nominal value of US\$350,000,000 at 99.204% discount to face value ("2021 Notes II"). The net proceeds, after deducting the issuance costs, amounted to US\$342,300,000 (equivalent to approximately RMB2,158,882,000).

On 14 January 2019, the Company issued 9.125%, two years senior notes, with an aggregated nominal value of US\$200,000,000 at 99.331% discount to face value ("2021 Notes III"). The net proceeds, after deducting the issuance costs, amounted to US\$195,965,000 (equivalent to approximately RMB1,323,573,000).

On 23 July 2019, the Company issued 6.95%, four years senior notes, with an aggregated nominal value of US\$170,000,000 at 98.974% discount to face value ("2023 Notes"). The net proceeds, after deducting the issuance costs, amounted to US\$164,728,000 (equivalent to approximately RMB1,134,316,000).

On 26 July 2019, the Company issued 6.0%, three years senior notes, with an aggregated nominal value of HK\$1,000,000,000 at 100% of the face value ("2022 Notes I"). The net proceeds, after deducting the issuance costs, amounted to HK\$998,250,000 (equivalent to approximately RMB878,710,000).

On 8 November 2019, the Company issued 7.125%, three years senior notes, with an aggregated nominal value of US\$300,000,000 at 99.536% discount to face value ("2022 Notes II"). The net proceeds, after deducting the issuance costs, amounted to US\$295,563,000 (equivalent to approximately RMB2,067,312,000).

The above senior notes are guaranteed and secured by equity interests of certain subsidiaries and non-PRC joint ventures.

23 BORROWINGS (CONTINUED)

(b) Corporate bonds

(i) Panda bonds

On 24 November 2016, the Company issued 5.85% seven-year panda bonds with an aggregated principal amount of RMB3,000,000,000 at 100% of the face value. At the third and fifth anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. The Company redeemed the bonds with the principal amount of RMB2,410,000,000 in 2019 and the remaining RMB590,000,000 bonds are held to maturity with the original interest rate.

(ii) Asset-backed securities ("ABS")

On 11 November 2016, a PRC subsidiary of the Group issued ABS in the principal amount of RMB1,700,000,000, with a term of three years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal was repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000. The PRC subsidiary of the Group had redeemed part of the ABS by instalments of RMB300,000,000 and RMB500,000,000 in 2017 and 2018 respectively. On 28 October 2019, the PRC subsidiary of the Group redeemed the rest of ABS with principal amount of RMB800,000,000.

On 6 September 2019, a PRC subsidiary of the Group issued another ABS in the principal amount of RMB900,000,000, with a term of eighteen years and bearing an interest ranging from 6.20% to 6.80% per annum and the principal was repayable by instalments, amongst which RMB50,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB842,985,000.

The ABS was pledged by the rental income of the Group's certain investment properties and revenue arising from the Group's hotel operation.

(iii) PRC Corporate bonds

On 19 January 2016, a PRC subsidiary of the Group issued 6.20% PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value. The bond will be matured in five years; at the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 21 December 2018, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB144,085,000 and the remaining RMB2,555,915,000 bonds are held to maturity with the interest rate adjusted to 7.50% per annum.

On 8 March 2016, a PRC subsidiary of the Group issued 6.00% PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value. The bond will be matured in five years; at the third anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 5 March 2019, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB27,733,500 and the remaining RMB472,266,500 bonds are held to maturity with the interest rate adjusted to 7% per annum.

23 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(iii) PRC Corporate bonds (continued)

On 25 August 2016, a PRC subsidiary of the Group issued 5.25% PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value. The bond will be matured in four years; at the second anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods. On 24 August 2018, the PRC subsidiary redeemed the corporate bonds with the principal amount of RMB767,697,500 and the remaining RMB32,302,500 bonds are held to maturity with the original interest rate.

On 29 August 2017, a PRC subsidiary of the Group issued 6.80%, three-year PRC corporate bonds with aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

On 13 December 2018, a PRC subsidiary of the Group issued 7.50% PRC corporate bond with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value. The bond will be matured in three years; at the second anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.

On 5 March 2019, a PRC subsidiary of the Group issued 7.20%, two-year PRC corporate bonds with an aggregate principal amount of RMB1,000,000,000 at 100.00% of the face value.

On 1 April 2019, a PRC subsidiary of the Group issued 7.20%, two-year PRC corporate bonds with an aggregate principal amount of RMB300,000,000 at 100.00% of the face value.

On 15 July 2019, a PRC subsidiary of the Group issued 7.4%, three-year PRC corporate bonds with an aggregate principal amount of RMB600,000,000 at 100.00% of the face value.

On 20 November 2019, a PRC subsidiary of the Group issued 7.20% PRC corporate bond with an aggregated principal amount of RMB1,070,000,000 at 100% of the face value. The bond will be matured in five years; at the second and the fourth anniversary of the issue date, the bond holders have an option to early put the bonds to the Company at the principal amount and the Company has an option to adjust the interest rate for the remaining periods.

(c) Bank borrowings

As at 31 December 2019, bank borrowings of RMB29,409,509,000 (2018: RMB25,862,769,000) were secured by property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 18); the secured bank borrowings of RMB3,450,000,000 (2018: RMB3,502,866,000) were additionally guaranteed by certain related parties (Note 39(b)(iii)).

(d) Other borrowings

As at 31 December 2019, borrowings from other financial institutions of RMB2,153,600,000 (2018: RMB4,305,500,000) were secured by property and equipment and land use rights (Note 6), investment properties (Note 7), properties under development (Note 9) and completed properties held for sale (Note 10).

23 BORROWINGS (CONTINUED)

- (e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non – current liabilities:					
At 31 December 2019	11,671,365	6,696,269	13,480,544	8,094,129	39,942,307
At 31 December 2018	3,848,980	7,583,337	21,352,591	1,595,500	34,380,408
Borrowings included in current liabilities:					
At 31 December 2019	14,422,434	898,340	–	–	15,320,774
At 31 December 2018	4,049,056	8,928,164	–	–	12,977,220

- (f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2019		31 December 2018	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
Senior Notes (Note (i))	9,275,357	9,492,301	7,373,847	6,733,924
Corporate bonds (Note (ii))	7,462,572	7,660,000	5,051,961	5,230,378
Bank borrowings (Note (iii))	22,058,078	22,058,078	18,959,520	18,959,520
Other borrowings (Note (iii))	1,146,300	1,146,300	2,995,080	2,995,080
	39,942,307	40,356,679	34,380,408	33,918,902

Notes:

- (i) The fair values were determined directly by reference to the price quotations published by Singapore Stock Exchange Limited on 31 December 2019 and 2018, using the pricing of dealing date and were within level 1 of the fair value hierarchy.
- (ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2019 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.
- (iii) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

23 BORROWINGS (CONTINUED)

(g) The effective interest rates of borrowings are as follows:

	31 December	
	2019	2018
Senior notes	7.32%	6.84%
Corporate bonds	6.89%	6.60%
Bank and other borrowings	6.10%	6.54%
Short-term commercial papers	5.87%	6.62%

(h) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Corporate bonds and short-term commercial papers RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2019					
Within 1 year	3,797,965	3,025,184	7,490,325	1,007,300	15,320,774
1–2 years	5,164,964	4,903,671	7,280,184	796,300	18,145,119
2–5 years	4,110,393	1,665,286	9,740,095	351,000	15,866,774
Over 5 years	–	893,614	5,036,800	–	5,930,414
	13,073,322	10,487,755	29,547,404	2,154,600	55,263,081
As at 31 December 2018					
Within 1 year	155,451	4,450,385	7,060,964	1,310,420	12,977,220
1–2 years	3,670,615	1,991,837	8,062,639	2,995,080	16,720,171
2–5 years	3,703,232	3,060,123	7,269,342	–	14,032,697
Over 5 years	–	–	3,627,540	–	3,627,540
	7,529,298	9,502,345	26,020,485	4,305,500	47,357,628

(i) As at 31 December 2019 and 2018, the Group had the following undrawn borrowing facilities:

	31 December	
	2019 RMB'000	2018 RMB'000
Floating rate:		
– expiring within 1 year	–	700,000
– expiring beyond 1 year	6,546,991	3,479,133
Fixed rate:		
– expiring within 1 year	891,956	640,000
	7,438,947	4,819,133

24 CONVERTIBLE BONDS

On 13 February 2018, the Company issued convertible bonds with a zero coupon rate with an initial conversion price of HK\$5.4463 each in an aggregate principal amount of HK\$1,990,000,000 (the "Convertible Bonds"). The Convertible Bonds are denominated in HK\$. The estimated net proceeds from the subscription of the Convertible Bonds, after deduction of commission and expenses, amounted to approximately HK\$1,964,000,000 (equivalent to approximately RMB1,589,328,000). These Convertible Bonds have been fully redeemed on 11 February 2019 with an aggregated principal amount of RMB1,701,689,000.

25 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	315,107	327,691
To be realised within 12 months	277,775	171,652
	592,882	499,343
Deferred income tax liabilities:		
To be realised after more than 12 months	(5,626,867)	(5,201,896)
To be realised within 12 months	(889,384)	(928,294)
	(6,516,251)	(6,130,190)
	(5,923,369)	(5,630,847)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	(5,630,847)	(4,365,929)
Recognised in income tax expense (Note 33)	(284,103)	(212,247)
Tax charge relating to components of other comprehensive income (Note 21(c))	(8,419)	(53)
Consolidation of entities previously held as joint ventures	–	(1,052,618)
At 31 December	(5,923,369)	(5,630,847)

25 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions	Tax losses	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	243,745	486,986	-	-	730,731
Credited to the income tax expense	94,694	35,082	90,876	15,425	236,077
At 31 December 2019	338,439	522,068	90,876	15,425	966,808
At 1 January 2018	229,690	231,079	-	-	460,769
Credited to the income tax expense	14,055	255,907	-	-	269,962
At 31 December 2018	243,745	486,986	-	-	730,731

Deferred income tax liabilities

	Excess of carrying amount of land use right over the tax bases	Temporary difference on revaluation gains of investment properties	Temporary difference on revaluation of FVOCI	Temporary difference on right-of-use assets	Withholding tax on profit to be distributed in future	Temporary difference on interest capitalization	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	(1,036,218)	(5,037,324)	(16,630)	-	-	(188,384)	(83,022)	(6,361,578)
Tax credited/(charged) to the income tax expense	329,299	(602,099)	-	(55,771)	(100,000)	(97,102)	5,493	(520,180)
Tax charge relating to components of other comprehensive income	-	-	(8,419)	-	-	-	-	(8,419)
At 31 December 2019	(706,919)	(5,639,423)	(25,049)	(55,771)	(100,000)	(285,486)	(77,529)	(6,890,177)
At 1 January 2018	(123,923)	(4,448,305)	(16,577)	-	-	(155,586)	(82,307)	(4,826,698)
Consolidations of entities previously held as joint ventures	(1,052,618)	-	-	-	-	-	-	(1,052,618)
Tax credited/(charged) to the income tax expense	140,323	(589,019)	-	-	-	(32,798)	(715)	(482,209)
Tax charge relating to components of other comprehensive income	-	-	(53)	-	-	-	-	(53)
At 31 December 2018	(1,036,218)	(5,037,324)	(16,630)	-	-	(188,384)	(83,022)	(6,361,578)

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB306,553,000 (2018: RMB222,007,000) in respect of losses amounting to RMB1,226,211,000 (2018: RMB888,027,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Tax losses will expire in the following years:

Year	RMB'000
2020	70,830
2021	222,092
2022	70,185
2023	346,404
2024	516,700
	1,226,211

Deferred income tax liabilities of RMB3,179,647,000 (2018: RMB2,504,389,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB31,796,468,000 as at 31 December 2019 (2018: RMB29,035,890,000), as the Group does not have a plan to distribute these earnings out of the PRC.

26 TRADE AND OTHER PAYABLES

	31 December	
	2019 RMB'000	2018 RMB'000
Trade payables (Note (a))	12,757,169	9,705,474
– Related parties (Note 39(d))	33,945	11,678
– Third parties	12,712,860	9,686,795
– Notes payable – third parties	10,364	7,001
Other payables and accruals	15,451,948	10,205,657
– Related parties (Note 39(d))	5,956,236	5,686,893
– Non-controlling interests	3,373,658	2,028,688
– Third parties (Note (b))	6,122,054	2,490,076
Payables for retention fee	1,105,426	683,152
Payables for acquisition of land use rights	90,401	56,981
Other taxes payable	506,376	280,591
Dividend payables to non-controlling interests	148,880	–
	30,060,200	20,931,855
Less: non-current portion		
Other payables – third parties	(87,617)	(206,007)
Current portion	29,972,583	20,725,848

26 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The ageing analysis of trade payables as at 31 December 2019 and 2018 based on invoice date is as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	9,184,699	6,317,246
Over 90 days and within 180 days	2,171,344	1,717,541
Over 180 days and within 365 days	1,046,201	866,463
Over 365 days and within 3 years	354,925	804,224
	12,757,169	9,705,474

- (b) Amounts represent mainly the value-added-tax received in advance from customers, interest payable, cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (c) The Group's trade and other payables are mainly denominated in RMB.
- (d) The fair value of trade and other payables approximate their carrying amounts.

27 CONTRACT LIABILITIES

	31 December	
	2019 RMB'000	2018 RMB'000
Contract liabilities	22,694,564	16,444,184

Contract liabilities represent the receipts of the property sales.

(a) Revenue recognised in relation to contract liabilities

The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	13,642,565	1,820,287

(b) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 31 December 2019 and 31 December 2018.

28 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2019 RMB'000	2018 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	4,493,586	3,490,138
– PRC land appreciation tax payable	4,132,412	3,151,967
	8,625,998	6,642,105

29 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	14,431,134	10,214,258
Staff costs (including directors' emoluments)	1,541,141	1,255,221
Employee benefit expenditure – including directors' emoluments	1,797,418	1,404,913
Less: capitalised in properties under development, investment properties under construction and construction in progress	(256,277)	(149,692)
Taxes and other levies	190,123	218,886
Advertising costs	489,538	385,836
Commercial operation and residential property management fees	391,643	219,282
Hotel operations expenses	374,683	318,260
Depreciation and amortisation (Note 6)	273,006	233,466
– Property and equipment	227,444	200,349
– Right-of-use assets	45,562	–
– Land use rights	–	33,117
Donations	154,385	239,567
Auditor's remuneration	14,025	7,950
– Audit services	6,700	5,600
– Non-audit services	7,325	2,350

30 STAFF COSTS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages and salaries	1,481,721	1,151,527
Pension costs – statutory pension	264,008	202,131
Other staff welfare and benefits	51,689	51,255
	1,797,418	1,404,913
Less: capitalised in properties under development, investment properties under construction and construction in progress	(256,277)	(149,692)
	1,541,141	1,255,221

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2018: four) directors whose emoluments are reflected in the analysis presented in Note 42. The aggregate amounts of emoluments of the other one (2018: one) highest paid individual for the year ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages and salaries	840	760
Retirement scheme contributions	101	96
Allowance	96	96
	1,037	952

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK\$)		
HK\$1,000,000 to HK\$1,500,000	1	1

During the year ended 31 December 2019, no emolument was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices (2018: nil).

30 STAFF COSTS (CONTINUED)

(b) Pensions – defined contribution 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 government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

31 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Gains on disposal of a joint venture (Note (a))	805,854	–
Interest income	120,957	166,947
Fair value (losses)/gains on financial assets at fair value through profit or loss	(32,395)	7,744
Gains on disposal of investment properties	9,220	6,096
Losses on disposal of financial assets at fair value through profit or loss	(3,993)	–
Dividend income of financial assets at fair value through profit or loss	2,390	1,586
Exchange gains/(losses) – net (Note (b))	1,406	(3,305)
Fair value gains on the remeasurement of investments in joint ventures	–	11,846
Others	23,669	25,455
	927,108	216,369

- (a) On 25 September 2019, the Group disposed of a joint venture in the PRC to a third party at an aggregated consideration of approximately RMB850 million and recorded a gain of approximately RMB806 million.
- (b) Amount mainly represents the net losses on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 32).

32 FINANCE COSTS – NET

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest expense:		
Borrowings	3,572,605	2,918,861
Convertible Bonds	5,135	39,491
Lease liabilities	21,341	–
	3,599,081	2,958,352
Foreign exchange losses on financing activities – net	167,881	806,627
Less: finance costs capitalised	(2,594,010)	(2,388,320)
Finance costs	1,172,952	1,376,659
Interest income of bank deposits	(273,177)	–
Finance costs – net	899,775	1,376,659

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax:		
PRC corporate income tax	1,988,146	1,485,982
PRC land appreciation tax	1,566,225	1,467,583
	3,554,371	2,953,565
Deferred income tax:		
PRC corporate income tax	460,132	292,393
PRC land appreciation tax	(176,029)	(80,146)
	284,103	212,247
	3,838,474	3,165,812

The tax charge on other comprehensive income has been disclosed in Note 21(c).

33 INCOME TAX EXPENSE (CONTINUED)

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the respective group entities as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	9,856,371	6,813,461
Calculated at applicable corporate income tax rate	2,601,933	1,798,150
Effect of expenses not deductible for income tax	83,326	304,837
Effect of income not subject to income tax	(7,709)	(9,285)
Share of profits of investments accounted for using the equity method	(93,939)	(46,809)
Tax losses for which no deferred income tax asset was recognised	129,175	106,697
Utilisation of tax losses previously not recognised	(16,959)	(28,356)
PRC land appreciation tax deductible for PRC corporate income tax purposes	(347,549)	(346,859)
	2,348,278	1,778,375
PRC withholding income tax	100,000	–
PRC land appreciation tax	1,390,196	1,387,437
	3,838,474	3,165,812

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

33 INCOME TAX EXPENSE (CONTINUED)**PRC land appreciation tax ("LAT")**

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

34 EARNINGS PER SHARE**(a) Basic**

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 year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	4,041,116	2,837,007
Weighted average number of ordinary shares in issue (thousand shares)	4,025,418	3,997,303
Basic earnings per share (RMB cents per share)	100.4	71.0

34 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Convertible bonds have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from convertible bonds.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company (RMB'000)		
Used in calculating basic earnings per share	4,041,116	2,837,007
Add: interest expense on Convertible Bonds	5,135	39,491
Used in calculating diluted earnings per share	4,046,251	2,876,498
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)		
Used in calculating basic earnings per share	4,025,418	3,997,303
Adjustments:		
Convertible Bonds	30,449	334,937
Used in calculating diluted earnings per share	4,055,867	4,332,240
Diluted earnings per share (RMB cents per share)	99.8	66.4

Convertible Bonds issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings.

35 DIVIDENDS

The dividend paid in 2019 consists of (i) the payment of the 2018 final cash dividend of HK\$23.2 cents per ordinary share totalling HK\$927,374,000 (equivalent to RMB816,070,000) (2017 final cash dividend of HK\$19.6 cents per ordinary share totalling HK\$783,471,000), and (ii) 2019 interim dividend of HK\$9.0 cents per ordinary share in form of cash totalling HK\$372,951,000 (equivalent to RMB335,329,000) (2018 interim dividend: HK\$6.8 cents per ordinary share in form of cash totalling HK\$271,817,000).

35 DIVIDENDS (CONTINUED)

The Board recommended the payment of a final dividend of HK\$27.0 cents per ordinary share. Total amount of final dividend would be HK\$1,118,854,000 (equivalent to approximately RMB1,002,247,000) which is calculated according to the ordinary shares in issue as of 31 December 2019. In addition to the final dividend, the Board further declared a special dividend of HK\$4.0 cents per ordinary share. Total amount of special dividend would be HK\$165,756,000 (equivalent to approximately RMB148,481,000). These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Proposed final dividends	1,002,247	812,565
Special dividends	148,481	–

36 CASH FLOW INFORMATION**(a) Cash generated from operations**

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before taxation	9,856,371	6,813,461
Adjustments for:		
Depreciation and amortisation (Note 6)	273,006	233,466
– Property and equipment	227,444	200,349
– Right-of-use assets	45,562	–
– Land use rights	–	33,117
Fair value gains on investment properties – net (Note 7)	(2,394,403)	(2,500,520)
Share of profit of investments accounted for using the equity method (Note 16)	(375,755)	(187,234)
Other income and gains-net (Note 31)	(927,108)	(216,369)
Finance costs – net (Note 32)	899,775	1,376,659
Changes in operating capital:		
Properties under development and completed properties held for sale	(3,313,235)	(13,990,830)
Restricted cash	(298,137)	(147,608)
Trade and other receivables	(3,428,382)	441,263
Contract assets	(272,949)	(6,967)
Prepayments	(6,878,274)	2,141,468
Trade and other payables	8,047,818	(1,658,989)
Contract liabilities	6,250,380	12,625,491
Cash generated from operation	7,439,107	4,923,291

36 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Leases RMB'000	Total RMB'000
Net debt as at 1 January 2019, as previously reported	5,698,571	47,357,628	1,743,638	-	54,799,837
Changes accounting policy (Note 2.2)	-	-	-	299,876	299,876
Net debt as at 1 January 2019, as restated	5,698,571	47,357,628	1,743,638	299,876	55,099,713
Cash flows					
- Inflow from financing activities	2,509,013	31,778,199	-	-	34,287,212
- Outflow from financing activities	(2,251,348)	(24,267,226)	(1,701,689)	(95,244)	(28,315,507)
Acquisition - leases	-	-	-	203,860	203,860
Foreign exchange adjustments	-	209,830	(41,949)	-	167,881
Other changes (i)	-	184,650	-	21,341	205,991
Net debt as at 31 December 2019	5,956,236	55,263,081	-	429,833	61,649,150

	Loan from related parties RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 1 January 2018	4,527,438	35,535,868	-	40,063,306
Cash flows				
- Inflow from financing activities	3,263,144	24,890,407	1,609,433	29,762,984
- Outflow from financing activities	(806,015)	(14,742,515)	-	(15,548,530)
Consolidations of entities previously held as joint ventures	-	810,000	-	810,000
Foreign exchange adjustments	-	707,006	134,205	841,211
Other changes (i)	(1,285,996)	156,862	-	(1,129,134)
Net debt as at 31 December 2018	5,698,571	47,357,628	1,743,638	54,799,837

- (i) Other movements mainly comprise: i) the elimination of the loans from joint ventures after the joint ventures become subsidiaries of the Group during the year ended 31 December 2018, ii) amortisation of issuance costs of senior notes and corporate bonds and iii) finance expenses recognised of leases.

37 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2019 RMB'000	2018 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	23,098,673	15,662,393
Guarantees for borrowings of joint ventures and associates (Note (b))	1,126,615	822,500
	24,225,228	16,484,893

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and 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 the fair value of these financial guarantees is immaterial.

- (b) Amounts represent principal amounts of the loans of the joint ventures and associates guaranteed by the Group. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

38 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
Properties development activities	9,103,153	7,663,384
Acquisition of land use rights	4,688,797	1,311,565
	13,791,950	8,974,949

(b) Leases commitments

As at 31 December 2019, the Group did not have any material short-term lease commitments.

39 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Mantong (HK) Trading Co., Limited 萬通(香港)貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Yueshang Information Technology Co., Ltd. 上海悅商資訊科技有限公司	Controlled by the Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	Joint venture of the Group
Yangzhou Golden Wheel Powerlong Real Estate Co., Ltd. 揚州金輪寶龍置業有限公司	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華豐置業發展有限公司	Joint venture of the Group
Shanghai Xiaofeng Enterprise Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Name and relationship with related parties (continued)**

Name	Relationship
Ningbo Youngor Baolong Real Estate Co., Ltd. (formerly named Ningbo Youngor New Longland Real Estate Development Co., Ltd.) 寧波雅戈爾寶龍置業有限公司 (前稱寧波雅戈爾新長島置業有限公司)	Joint venture of the Group
Shanghai Baoshen Digital Technology Co., Ltd. 上海寶申數字科技有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海畢傑企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Tianjin Binhui Real Estate Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Changzhou Chengyuan Real Estate Development Co., Ltd. 常州誠遠置業發展有限公司	Joint venture of the Group
Taizhou Powerlong Real Estate Co., Ltd. 泰州寶龍房地產有限公司	Joint venture of the Group
Taizhou Pengmiao Real Estate Development Co., Ltd. 台州鵬淼房地產開發有限公司	Joint venture of the Group
Qingdao Hailong Yilian Real Estate Co., Ltd. 青島海龍衣聯置業有限公司	Joint venture of the Group
Taizhou Huayi Real Estate Co., Ltd. 台州華懿置業有限公司	Joint venture of the Group
Taizhou Tianqu Real Estate Co., Ltd. 台州天衢置業有限公司	Joint venture of the Group
Pingyang Zhongji Lianye Real Estate Co., Ltd. 平陽中基聯業置業有限公司	Joint venture of the Group
Hangzhou Powerlong Taoyuan Real Estate Development Co., Ltd. 杭州寶龍桃源置業發展有限公司	Joint venture of the Group
Zhoushan Longyu Commercial Investment Co., Ltd. 舟山龍宇商業投資有限公司	Joint venture of the Group
Zhoushan Longyu Hotel Co., Ltd. 舟山龍宇大酒店有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都綸企業管理有限公司	Associate of the Group
Quanzhou Shimao New Mileage Real Estate Co., Ltd. 泉州世茂新里程置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驥實業有限公司	Associate of the Group
Tianjin Hongyao Decoration Engineering Co., Ltd. 天津宏耀裝修工程有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties (continued)

Name	Relationship
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group
Zhejiang Lancheng Hongyi Youdao Construction Management Co., Ltd. 浙江藍城宏逸有道建設管理有限公司	Associate of the Group
Shaoxing Kejiao Juhang Real Estate Development Co., Ltd. 紹興柯橋聚杭房地產開發有限公司	Associate of the Group
Hangzhou Juyou Enterprise Management Co., Ltd. 杭州聚佑企業管理有限責任公司	Associate of the Group
Yiwu Juli Real Estate Development Co., Ltd. 義烏聚厲房地產開發有限公司	Associate of the Group
Zhoushan Juyou Real Estate Development Co., Ltd. 舟山聚佑房地產開發有限公司	Associate of the Group
Shanghai Taoxia Enterprise Management Co., Ltd. 上海濤峽企業管理有限公司	Associate of the Group
Zhejiang Huzhou Baohui Real Estate Development Co., Ltd. 浙江湖州寶輝房地產開發有限公司	Associate of the Group
Hangzhou Jiayi Real Estate Co., Ltd. 杭州嘉怡置業有限公司	Associate of the Group
Tiantai Maolong Real Estate Development Co., Ltd. 天臺茂龍房地產開發有限公司	Associate of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

- (i) During the years ended 31 December 2019 and 2018, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Nature of transactions		
The Controlling Shareholders		
Sales of properties	973	14,941
Loan interests (Note 39 (d) (iv))	17,075	–
Controlled by the ultimate controlling shareholder		
Rental income	3,412	3,249
Property management fee income	–	725
Purchase of office equipment and security intelligentisation system services from related parties	46,297	31,531
Hotel accommodation service fee charged by a related party	5,589	2,294
Joint ventures		
Sales of construction materials to joint ventures	15,277	136,357
Interest income from joint ventures	120,957	53,143
Consultation services provided to joint ventures	45,686	7,983
Associates		
Sales of construction materials to associates	1,818	–
Consultation services provided to associates	15	–

Certain close family members of Mr. Hoi Kin Hong who is the ultimate controlling shareholder of the Group, entered into sale and purchase agreements with various PRC subsidiaries of the Group. Of whom are mentioned above, Ms. Hoi Wa Fan is also a non-executive director.

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,126,615,000 as at 31 December 2019 (31 December 2018: RMB822,500,000) (Note 37).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB3,450,000,000 as at 31 December 2019 (31 December 2018: RMB3,502,866,000) (Note 23).
- (iv) Certain bank deposits of the Group of RMB100,000,000 has been pledged for the commercial properties development of its joint venture (31 December 2018: nil).
- (v) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

39 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Key management compensation**

Key management compensation is set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Key management compensation		
– Salaries and other employee benefits	20,925	17,673
– Pension costs	1,741	1,536
	22,666	19,209

(d) Balances with related parties

As at 31 December 2019, the Group had the following material balances with related parties:

	31 December	
	2019 RMB'000	2018 RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Joint ventures	12,568	6,614
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	4,577,821	5,243,081
Associates	2,809,036	3,191,771
	7,408,233	8,456,228
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	18,658	11,678
Joint ventures	15,287	–
	33,945	11,678
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	388,297	495,065
The Controlling Shareholders	7,719	–
Joint ventures	4,127,150	4,245,084
Associates	1,433,070	946,744
	5,956,236	5,686,893
Borrowings (Note (iv)):		
The Controlling Shareholders	179,362	–
Amounts due to related parties included in contract liabilities (Note (v)):		
The Controlling Shareholders	10,840	9,686
Joint ventures	3,633	–
Associates	15,448	–
	29,921	9,686
Prepayments (Note (vi)):		
Joint ventures	3,120	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

- (i) Amounts due from joint ventures included in trade receivables are mainly derived from consulting services provided to joint ventures.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest bearing (Note 12), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) The balance represented the senior notes purchased by Mr. Hoi Wa Fong.
- (v) Amounts due to related parties included in contract liabilities mainly consist of advances paid by the Controlling Shareholder for purchase of properties from the Group and by the joint ventures and associates for consulting services provided by the Group.
- (vi) The prepayments were in relation to a cooperation in information technology development with a joint venture of the Group.

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2019 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 05 July 2007	Limited liability company	HK\$1	100%	-	Investment holding in Hong Kong
Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK\$100	82%	18%	Investment holding in Hong Kong
上海寶龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April, 2007	Limited liability company	RMB5,000,000	100%	-	Property management in the PRC
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Development Co., Ltd.	the PRC 28 October 2010	Limited liability company	RMB21,597,000	100%	-	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB100,000,000	100%	-	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development, property investment and hotel operation in the PRC
寶龍星創實業(杭州)有限公司 Powerlong Xingchuang Industrial (Hangzhou) Co., Ltd. (Note (a))	the PRC 21 June 2016	Limited liability company	US\$149,424,383	42%	58%	Property development and property investment in the PRC
寧波寶龍華展置業發展有限公司 Ningbo Baolonghua Real Estate Development Co., Ltd.	the PRC 13 January 2017	Limited liability company	RMB50,000,000	57%	43%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	US\$293,833,329	100%	–	Property development and property investment in the PRC
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd.	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development, property investment and hotel operation in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd.	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd.	the PRC 30 July 2013	Limited liability company	RMB196,078,431	93%	7%	Property development and property investment in the PRC
阜陽寶龍展耀置業有限公司 Fuyang Powerlong Zhanyao Property Co., Ltd. (Note (a))	the PRC 29 August 2014	Limited liability company	RMB100,000,000	42%	58%	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海賢通置業有限公司 Shanghai Xiantong Real Estate Co. Ltd.	the PRC 21 February, 2012	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Real Estate Co. Ltd.	the PRC 24 November, 2009	Limited liability company	RMB139,832,933	100%	–	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Real Estate Co. Ltd.	the PRC 27 January, 2010	Limited liability company	RMB52,500,000	85%	15%	Property development, property investment and hotel operation in the PRC
溫州寶信房地產開發有限公司 Wenzhou Baoxin Real Estate Co. Ltd.	the PRC 06 July, 2018	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Real Estate Co. Ltd.	the PRC 10 December, 2007	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd.	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
福州寶龍貿易有限公司(前稱福州寶龍房地產發展有限公司) Fuzhou Powerlong Trading Co., Ltd. (formerly named Fuzhou Powerlong Real Estate Development Co., Ltd.)	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd.	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州龍耀實業有限公司 Hangzhou Longyao Industrial Co., Ltd.	the PRC 03 August 2017	Limited liability company	US\$103,950,000	82%	18%	Property development and property investment in the PRC
寧波寶龍華隅置業發展有限公司 Ningbo Baolong Huayu Real Estate Development Co., Ltd.	the PRC 13 June 2018	Limited liability company	RMB500,000,000	82%	18%	Property development and property investment in the PRC
紹興豪湖房地產開發有限公司 Shaoxing Haohu Real Estate Development Co., Ltd. (Note (a))	the PRC 25 October 2017	Limited liability company	RMB20,000,000	42%	58%	Property development and property investment in the PRC
無錫嘉樂置業有限公司 Wuxi Jiayu Real Estate Co., Ltd.	the PRC 01 November 2017	Limited liability company	RMB200,000,000	67%	33%	Property development and property investment in the PRC
南通星龍房地產開發有限公司 Nantong Xinglong Real Estate Development Co., Ltd. (Note (b))	the PRC 15 December 2017	Limited liability company	RMB850,000,000	41%	59%	Property development and property investment in the PRC
長影長流(海南)房地產開發有限公司 Changying Changliu (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 03 April 2014	Limited liability company	RMB1,000,000	32%	68%	Property development and property investment in the PRC
杭州東輝置業有限公司 Hangzhou Donghui Real Estate Co. Ltd. (Note (b))	the PRC 19 February 2016	Limited liability company	RMB30,000,000	41%	59%	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development and property investment in the PRC
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	US\$87,500,000	82%	18%	Investment holding in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	US\$3,000,000	100%	–	Investment holding in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC
上海寶龍實業發展(集團)有限公司 Shanghai Powerlong Industrial Development (Group) Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
寧波遠大實業投資有限公司 Ningbo Yuanda Industrial Investment Co., Ltd.	the PRC 23 August, 2011	Limited liability company	RMB200,000,000	90%	10%	Property development and property investment in the PRC
寧波湯仕瑪置業有限公司 Ningbo Tangshima Real Estate Co. Ltd.	the PRC 31 October, 2008	Limited liability company	US\$61,643,836	90%	10%	Property development and property investment in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC
上海寶龍商業地產管理有限公司 Shanghai Powerlong Commercial Real Estate Management Co., Ltd.	the PRC 29 June, 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
杭州寶晉置業有限公司 Hangzhou Baojin Property Co., Ltd.	the PRC 01 November 2016	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
長影椰海(海南)房地產開發有限公司 Changying Yehai (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 02 April 2014	Limited liability company	RMB1,000,000	32%	68%	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
南京寶龍康浚置業發展有限公司 Nanjing Powerlong Kangjun Real Estate Development Co., Ltd.	the PRC 07 November 2017	Limited liability company	US\$50,000,000	82%	18%	Property development and property investment in the PRC
鹽城禦龍置業有限公司 Yancheng Yulong Real Estate Co., Ltd.	the PRC 21 May 2018	Limited liability company	RMB50,000,000	65%	35%	Property development and property investment in the PRC
常熟寶龍房地產開發有限公司 Changshu Powerlong Real Estate Development Co., Ltd.	the PRC 27 July 2018	Limited liability company	RMB50,000,000	95%	5%	Property development and property investment in the PRC
寧波奉化寶龍華和置業有限公司 Ningbo Fenghua Powerlong Huahe Real Estate Co., Ltd.	the PRC 10 August 2018	Limited liability company	RMB50,000,000	78%	22%	Property development and property investment in the PRC
漳州寶龍英聚房地產有限公司 Zhangzhou Powerlong Yingju Real Estate Co., Ltd.	the PRC 16 July 2018	Limited liability company	RMB1,000,000	66%	34%	Property development and property investment in the PRC
永康中梁寶龍置業有限公司 Yongkang Zhongliang Property Co., Ltd. (Note (b))	the PRC 19 March 2018	Limited liability company	RMB50,000,000	29%	71%	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司寶龍艾美酒店 Powerlong Le Méridien Hotel	the PRC 14 April 2016	Limited liability company	-	100%	-	Hotel operation in the PRC

Notes:

- (a) The Group indirectly hold the equity interest in these companies through layers of holding structures and the Group has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.
- (b) The Group has controlled these entities through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decisions on key business and financing policies of these entities.
- (c) The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (d) The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

41 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY**Balance sheet of the Company**

	Note	31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		6,306,863	6,306,863
Current assets			
Amounts due from subsidiaries		15,118,449	15,228,209
Financial assets at fair value through profit or loss		–	26,928
Restricted cash		1,051,123	–
Cash and cash equivalents		1,886,188	234,772
		18,055,760	15,489,909
Total assets		24,362,623	21,796,772
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		719,088	1,164,125
Accumulated losses	(a)	(309,977)	(275,269)
Total equity		409,111	888,856
LIABILITIES			
Non-current liabilities			
Borrowings		12,751,485	11,097,129
Current liabilities			
Borrowings		6,713,161	5,677,076
Convertible bonds		–	1,743,638
Other payables and accruals		949,957	320,923
Amounts due to subsidiaries		3,538,909	2,069,150
		11,202,027	9,810,787
Total liabilities		23,953,512	20,907,916
Total equity and liabilities		24,362,623	21,796,772

The balance sheet of the Company was approved by the Board of Directors on 9 March 2020 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

41 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Accumulated losses RMB'000
At 1 January 2018	(213,281)
Loss for the year	(61,988)
As at 31 December 2018	(275,269)
At 1 January 2019	(275,269)
Loss for the year	(34,708)
As at 31 December 2019	(309,977)

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2019 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors					
Mr. Hoi Kin Hong	1,080	–	290	–	1,370
Mr. Hoi Wa Fong	860	16	290	–	1,166
Mr. Xiao Qing Ping	720	29	290	114	1,153
Ms. Shih Sze Ni	610	16	290	–	916
Mr. Zhang Hong Feng	720	101	290	40	1,151
Non-executive directors					
Ms. Hoi Wa Fan	–	–	160	–	160
Independent non- executive directors					
Mr. Ngai Wai Fung	–	–	270	–	270
Mr. Mei Jian Ping	–	–	270	–	270
Mr. Ding Zu Yu	–	–	270	–	270
	3,990	162	2,420	154	6,726

42 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**(a) Directors' and chief executive's emoluments (continued)**

The remuneration of each director for the year ended 31 December 2018 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors					
Mr. Hoi Kin Hong	1,000	–	240	–	1,240
Mr. Hoi Wa Fong	770	16	240	–	1,026
Mr. Xiao Qing Ping	640	26	240	114	1,020
Ms. Shih Sze Ni	520	16	240	–	776
Mr. Zhang Hong Feng	640	96	240	40	1,016
Non-executive directors					
Ms. Hoi Wa Fan	–	–	160	–	160
Independent non-executive directors					
Mr. Ngai Wai Fung	–	–	260	–	260
Mr. Mei Jian Ping	–	–	260	–	260
Mr. Ding Zu Yu	–	–	260	–	260
	3,570	154	2,140	154	6,018

Notes:

- i) Emoluments above include estimated money value of non-cash benefits: car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2019 (2018: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services (2018: nil).

42 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts	Outstanding/ aggregate outstanding amounts	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
			at the beginning of the year RMB'000	at the end of the year RMB'000					
At 31 December 2019									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		
At 31 December 2018									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

43 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 20 January 2020, Shanghai Powerlong Industrial Development Co. Ltd., a wholly-owned subsidiary of the Company issued 6.67%, five-year corporate bonds with an aggregate principal amount of RMB930,000,000 at 100.00% of the face value.
- (b) On 22 January 2020, 22,500,000 shares of Powerlong CM were issued upon the exercise of the over-allotment option (the “over-allotment option”) in connection with the global offering of its offer shares at a price of HK\$9.50 per offer share. Gross proceeds of the over-allotment option was approximately HK\$213,700,000.
- (c) On 31 January 2020, the Company repurchased an aggregate of 500,000 of its own shares through the Stock Exchange, at a consideration of HK\$2.15 million (equivalent to approximately RMB1.92 million). The shares have not been cancelled after the repurchase.
- (d) Since early 2020, the epidemic of Coronavirus Disease 2019 (the “COVID-19 outbreak”) has spread across China and other countries and it has affected the business and economic activities of the Group to some extent.

The directors of the Company have assessed that the COVID-19 outbreak may have the following potential impact to the Group:

- The Group’s rental income in 2020 could possibly be affected by the temporary no more than one month waivers of rentals, property management or certain miscellaneous fees offered to tenants, tenant’s requests in adjustments of existing lease contract terms and the short term economic slowdown due to COVID-19 outbreak as certain of the Group’s rental and management fee income will be varied based on the actual business volume of tenants.
- The Group applies the fair value model to measure its investment properties (Notes 4(d) and 7). In 2020, the fair value of the Group’s investment properties may be subject to fluctuation due to the COVID-19 outbreak.

The overall financial effect of the above cannot be reliably estimated as of the date of these consolidated financial statements.

The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the leasing market, the financial position and operating results of the Group.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited

(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 80 to 182, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

羅兵咸永道會計師事務所·香港中環太子大廈22樓
電話：+852 2289 8888，傳真：+852 2810 9888，www.pwchk.com

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 matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 4(c) and 7 to the consolidated financial statements</p> <p>The Group's investment properties are stated at fair value. As at 31 December 2020, the Group's investment properties amounted to RMB58.2 billion, which represents 30% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2020 amounted to RMB2.1 billion.</p> <p>Independent external valuations were obtained for certain of the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key estimates and assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete.</p> <p>We paid significant attention to this area due to the material balance and fair value gain of investment properties to the Group's consolidated financial statements and the estimation of the valuations of investment properties subject to high degree of estimation uncertainty. The inherent risk in relation to this area is considered significant due to critical judgement involved in determining the critical estimates and assumptions used in the valuations.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <p>(i) We obtained an understanding of the management's internal control and assessment process of the valuations of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud.</p> <p>(ii) We evaluated the competence, capabilities and objectivity of the independent external valuer;</p> <p>(iii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key estimates and assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We compared the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions;</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>(iv) We checked the accuracy and relevance of the input data used in the valuations;</p> <p>(v) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date.</p> <p>We found the key estimates and assumptions used in the valuation of investment properties were supported by the available evidences.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 2 March 2021



CONSOLIDATED BALANCE SHEET

		31 December	
		2020	2019
		RMB'000	RMB'000
	Note		
ASSETS			
Non-current assets			
Property and equipment	6	5,221,769	5,225,130
Investment properties	7	58,243,338	51,084,641
Intangible assets		5,420	–
Goodwill		20,640	–
Investments accounted for using the equity method	16	7,642,200	5,593,928
Deferred income tax assets	24	800,680	592,882
Financial assets at fair value through profit or loss	14	313	–
Financial assets at fair value through other comprehensive income	15	439,057	382,139
Prepayments	13	1,269,164	–
		73,642,581	62,878,720
Current assets			
Properties under development	9	48,719,297	36,446,920
Completed properties held for sale	10	14,589,666	10,617,428
Contract assets		406,338	279,916
Trade receivables	11	2,163,838	1,986,680
Other receivables	12	16,027,938	16,496,617
Prepayments	13	10,131,446	8,892,891
Prepaid taxes		865,430	1,019,461
Financial assets at fair value through profit or loss	14	308,983	207,662
Restricted cash	18	2,937,270	3,365,115
Cash and cash equivalents	19	25,338,726	20,305,545
		121,488,932	99,618,235
Total assets		195,131,513	162,496,955
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	36,795	719,088
Other reserves	21	1,582,187	1,669,289
Retained earnings		34,601,884	29,451,835
		36,220,866	31,840,212
Perpetual Capital Instruments	22	519,781	820,364
Non-controlling interests		15,060,519	6,246,452
Total equity		51,801,166	38,907,028

CONSOLIDATED BALANCE SHEET

		31 December	
		2020	2019
		RMB'000	RMB'000
	Note		
LIABILITIES			
Non-current liabilities			
Borrowings	23	45,899,678	39,942,307
Lease liabilities	8	675,920	197,515
Other payables	25	182,167	87,617
Deferred income tax liabilities	24	7,242,444	6,516,251
		54,000,209	46,743,690
Current liabilities			
Borrowings	23	20,667,678	15,320,774
Trade and other payables	25	35,229,517	29,972,583
Contract liabilities	26	22,757,332	22,694,564
Current income tax liabilities	27	10,462,611	8,625,998
Lease liabilities	8	213,000	232,318
		89,330,138	76,846,237
Total liabilities		143,330,347	123,589,927
Total equity and liabilities		195,131,513	162,496,955

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 80 to 182 were approved by the Board of Directors on 2 March 2021 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2020 RMB'000	2019 RMB'000
Revenue	5	35,495,300	26,041,632
Cost of sales	28	(22,679,514)	(16,558,591)
Gross profit		12,815,786	9,483,041
Fair value gains on investment properties – net	7	2,095,764	2,394,403
Selling and marketing costs	28	(1,096,220)	(984,474)
Administrative expenses	28	(1,545,590)	(1,411,133)
Net impairment losses on financial assets		(150,002)	(28,554)
Other income and gains – net	30	184,226	927,108
Operating profit		12,303,964	10,380,391
Finance income/(costs) – net	31	312,433	(899,775)
Share of profit of investments accounted for using the equity method	16	666,990	375,755
Profit before income tax		13,283,387	9,856,371
Income tax expense	32	(4,468,037)	(3,838,474)
Profit for the year		8,815,350	6,017,897
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences	21	(16,027)	4,736
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains on property and equipment transferred to investment properties, net of tax	21	92,203	–
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21	42,688	25,259
Total other comprehensive income for the year, net of tax		118,864	29,995
Total comprehensive income for the year		8,934,214	6,047,892
Profit attributable to:			
Owners of the Company		6,093,216	4,041,116
Holders of Perpetual Capital Instruments		50,979	69,556
Non-controlling interests		2,671,155	1,907,225
		8,815,350	6,017,897
Total comprehensive income attributable to:			
Owners of the Company		6,212,080	4,071,111
Holders of Perpetual Capital Instruments		50,979	69,556
Non-controlling interests		2,671,155	1,907,225
		8,934,214	6,047,892
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	33		
– Basic		147.1	100.4
– Diluted		147.1	99.8

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2020							
Balance at 1 January 2020	719,088	1,669,289	29,451,835	31,840,212	820,364	6,246,452	38,907,028
Comprehensive income:							
Profit for the year	-	-	6,093,216	6,093,216	50,979	2,671,155	8,815,350
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	-	42,688	-	42,688	-	-	42,688
– Transfer from property and equipment to investment properties	-	92,203	-	92,203	-	-	92,203
– Currency translation differences	-	(16,027)	-	(16,027)	-	-	(16,027)
Total comprehensive income for the year	-	118,864	6,093,216	6,212,080	50,979	2,671,155	8,934,214
Transactions with owners:							
– Dividends	(676,749)	-	(941,980)	(1,618,729)	-	(45,586)	(1,664,315)
– Repurchase of share	(5,544)	-	-	(5,544)	-	-	(5,544)
– Employee share award scheme	-	13,097	-	13,097	-	5,319	18,416
– Capital injection from non-controlling interests (Note 21, 39)	-	297,775	-	297,775	-	6,415,029	6,712,804
– Changes from joint ventures to subsidiaries (Note 40)	-	-	-	-	-	165,322	165,322
– Acquisition of a subsidiary	-	-	-	-	-	10,662	10,662
– Disposal of a subsidiary	-	-	-	-	-	(21,450)	(21,450)
– Capital withdrawn by non-controlling interests	-	-	-	-	-	(80,293)	(80,293)
– Changes in ownership interests in subsidiaries without change of control	-	(518,025)	-	(518,025)	-	(306,091)	(824,116)
– Redemption of perpetual capital instruments	-	-	-	-	(300,000)	-	(300,000)
– Distribution to holders of Perpetual Capital Instruments	-	-	-	-	(51,562)	-	(51,562)
Total transactions with owners	(682,293)	(207,153)	(941,980)	(1,831,426)	(351,562)	6,142,912	3,959,924
Appropriation to statutory reserves	-	1,187	(1,187)	-	-	-	-
Balance at 31 December 2020	36,795	1,582,187	34,601,884	36,220,866	519,781	15,060,519	51,801,166

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2019							
Balance at 1 January 2019	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940
Comprehensive income:							
Profit for the year	–	–	4,041,116	4,041,116	69,556	1,907,225	6,017,897
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	–	25,259	–	25,259	–	–	25,259
– Currency translation differences	–	4,736	–	4,736	–	–	4,736
Total comprehensive income for the year	–	29,995	4,041,116	4,071,111	69,556	1,907,225	6,047,892
Transactions with owners:							
– Proceeds from share placement	706,362	–	–	706,362	–	–	706,362
– Dividends	(1,151,399)	–	–	(1,151,399)	–	(148,880)	(1,300,279)
– Issuance of Perpetual Capital Instruments	–	–	–	–	500,000	–	500,000
– Redemption of Perpetual Capital Instruments	–	–	–	–	(1,246,000)	–	(1,246,000)
– Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(55,446)	–	(55,446)
– Capital contribution from non-controlling interests	–	926,674	–	926,674	–	522,885	1,449,559
Total transactions with owners	(445,037)	926,674	–	481,637	(801,446)	374,005	54,196
Appropriation to statutory reserves	–	31,544	(31,544)	–	–	–	–
Balance at 31 December 2019	719,088	1,669,289	29,451,835	31,840,212	820,364	6,246,452	38,907,028

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	(5,708,148)	7,439,107
PRC corporate income tax paid		(1,130,610)	(919,143)
PRC land appreciation tax paid		(1,078,574)	(815,128)
Interest paid		(4,095,819)	(2,952,061)
Cash (used in)/generated from operating activities – net		(12,013,151)	2,752,775
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		144,267	–
Net cash inflow in acquisition of a subsidiary		56	–
Net cash outflow in disposal of a subsidiary		(7,447)	–
Purchases of property and equipment		(383,990)	(344,142)
Purchases of right-of-use assets		(308,452)	(312,491)
Payments of construction fee and land use right of investment properties		(4,710,959)	(2,006,891)
Proceeds from disposal of property and equipment		9,394	107,648
Proceeds from disposal of investment properties		5,436	41,313
Purchase of financial assets at fair value through profit or loss		(88,504)	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	53,515
Dividend received		332,278	2,390
Investments in joint ventures and associates		(2,179,761)	(1,187,379)
Cash advances made to joint ventures, associates and non-controlling interests		(6,169,513)	(5,652,526)
Collection of cash advances from joint ventures, associates and non-controlling interests		7,657,080	6,821,478
Proceeds from disposal of a joint venture		–	850,435
Interest received		462,101	273,177
Cash used in investing activities – net		(5,238,014)	(1,353,473)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		38,638,283	31,778,199
Repayments of borrowings		(26,524,943)	(24,267,226)
Repayments of convertible bonds		–	(1,701,689)
Restricted cash released from/(pledged for) borrowings		1,151,042	(2,131,043)
Cash advances from parties controlled by ultimate controlling shareholders		1,914,212	2,776
Cash advances from joint ventures, associates and non-controlling interests		7,978,685	2,506,237
Repayments of cash advances to parties controlled by ultimate controlling shareholders		–	(101,824)
Repayments of cash advances to joint ventures, associates and non-controlling interests		(4,492,209)	(2,149,524)
Capital contribution from non-controlling interests		6,712,804	1,449,559
Changes in ownership interests in subsidiaries without change of control		(824,116)	–
Proceeds from share placement		–	706,362
Dividends paid		(1,664,315)	(1,151,399)
Distribution to holders of Perpetual Capital Instruments		(51,562)	(55,446)
Redemption of Perpetual Capital Instruments		(300,000)	(1,246,000)
Proceeds from issuance of Perpetual Capital Instruments		–	500,000
Repurchase of shares		(5,544)	–
Principal elements of lease payments		(171,753)	(95,244)
Cash generated from financing activities – net		22,360,584	4,043,738
Net increase in cash and cash equivalents		5,109,419	5,443,040
Cash and cash equivalents at beginning of the year	19	20,305,545	14,839,776
Effect of foreign exchange rate changes		(76,238)	22,729
Cash and cash equivalents at end of the year	19	25,338,726	20,305,545

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services and other property development related services in the People’s Republic of China (the “PRC”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 2 March 2021.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties and hotels, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

These financial statements are presented on Renminbi (“RMB”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

- (i) *Compliance with HKFRSs and HKCO*
These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.
- (ii) *Historical cost convention*
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.
- (iii) *New and amended standards adopted by the Group*

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (iv) *New standards, amendments, interpretation and accounting guideline not yet adopted*
The following new standards, amendments, interpretation to standards and accounting guideline have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, 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 the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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 adoption of the new and amended standards and interpretation did not have a material impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, 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 HKAS 39 either in profit or loss or as a change to other comprehensive income. 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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

- (b) 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 in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- (c) 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 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 after initially being recognised at cost. 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 investment in associates includes 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 the 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 profit of investments accounted for using equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate 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. Gain or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has 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 identifiable assets and liabilities of the joint venture 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 that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates 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 are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'Finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other income and gains – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of 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 balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives as follows:

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 years
Right-of-use assets	2-70 years

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land and commercial buildings held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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 the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property 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 treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.1(a). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the expected life of 10 years for the customer relationship.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categorises its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as 'Other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 11 for further details.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond a normal operating cycle.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.15 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.16 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.18 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

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 the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates 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 considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) *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 as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. 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.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share-based payments

Share-based compensation benefits are provided to employees via the employee share incentive scheme.

Share incentive scheme

Equity-settled share-based payment transactions are share-based payment arrangement in which the Group received goods or services as consideration for its own equity instrument. The Group might receive goods or services but have no obligation to settle the transaction with the supplier, as the settlement will be made by a shareholder or another group entity, this transaction is also equity-settled share-based payment transaction.

For an equity-settled share-based payment transaction, the fair value of equity instrument granted is recognised as an employee benefits expense with a corresponding increase in equity.

During the vesting periods, the Group revises its estimates of the number of award shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to the employee share-based capital reserve.

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 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) Investment and operation of commercial properties

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(c) *Property management services*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 30 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 31 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.28 Leases

Leases are recognised as a right-of-use asset (included in "Property and equipment" (Note 6) and "Investment properties" (Note 7)) and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset which was recognised as investment properties is carried at fair value at each reporting date after initial recognition and others being included in property and equipment is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 7). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 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 owners of the Company.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) *Market risk*

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2020, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, FVOCI, FVPL, other payables and borrowings, which are denominated in Hong Kong dollar ("HK\$") or US dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Financial assets		
– HK\$	1,044,122	2,059,063
– US\$	934,742	1,151,223
	1,978,864	3,210,286
Financial liabilities		
– HK\$	5,221,338	3,456,264
– US\$	14,169,950	14,330,741
	19,391,288	17,787,005

The aggregate net foreign exchange losses recognised in profit or loss were:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net foreign exchange gains included in other income and gains-net	42,861	1,406
Exchange gains/(losses) on foreign currency borrowings included in finance costs-net	1,205,882	(167,881)
Total net foreign exchange gains/(losses) recognised in profit before income tax for the year	1,248,743	(166,475)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK\$	208,861	69,860
– US\$	661,760	658,976
	870,621	728,836
5% weakened in RMB against the relevant currencies		
– HK\$	(208,861)	(69,860)
– US\$	(661,760)	(658,976)
	(870,621)	(728,836)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2020, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB27,430,659,000 (2019: RMB22,711,233,000). If interest rates on borrowings at floating rates as at 31 December 2020 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB137,153,000 (2019: RMB113,556,000), most of which would have been capitalised in qualified assets.

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI and financial assets at FVPL held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2020 would increase/decrease by approximately RMB15,449,000 (2019: increase/decrease by approximately RMB10,383,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB16,465,000 higher/lower (2019: RMB14,330,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk*

The Group is exposed to credit risk in relation to its contract assets, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

For trade receivables and contract assets arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser 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 property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 36.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables, management makes periodic collective assessments as well as assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of 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 accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days of initial recognition.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period. The loss allowance provision of trade receivables as at 31 December 2020 is set out in Note 11.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

	Less than 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					
Borrowings	24,010,961	16,549,193	24,557,487	14,718,442	79,836,083
Trade and other payables (Note (a))	34,281,515	118,207	63,960	–	34,463,682
Lease liabilities	221,669	76,449	201,921	896,500	1,396,539
	58,514,145	16,743,849	24,823,368	15,614,942	115,696,304
At 31 December 2019					
Borrowings	18,528,039	19,923,878	18,129,928	8,841,723	65,423,568
Trade and other payables (Note (a))	29,294,998	87,617	–	–	29,382,615
Lease liabilities	240,346	120,228	102,323	–	462,897
	48,063,383	20,131,723	18,232,251	8,841,723	95,269,080

Note:

(a) It represents payables excluding salaries payables and other taxes payables.

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guaranteed purchasers, joint ventures or associates default the repayment (Note 36).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 19) and less guarantee deposits for bank borrowings included in restricted cash (Note 18(b)). Total borrowings comprise senior notes, corporate bonds, commercial mortgage backed securities, assets-backed securities, short-term commercial papers, bank borrowings and other borrowings (Note 23). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2020 and 2019 are as follows:

	31 December	
	2020	2019
	RMB'000	RMB'000
Total borrowings (Note 23)	66,567,356	55,263,081
Less: cash and cash equivalents (Note 19)	(25,338,726)	(20,305,545)
Less: guarantee deposits for bank borrowings (Note 18(b))	(1,504,790)	(2,655,832)
Net debt	39,723,840	32,301,704
Total equity	51,801,166	38,907,028
Total capital	91,525,006	71,208,732
Gearing ratio	43.4%	45.4%

Despite increase in net debt in 2020, the gearing ratio slightly decreased primarily due to the increase in the Group's total equity resulting from a profitable year and new capital injected by the non-controlling interest during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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 that are measured at fair value at 31 December 2020 and 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2020				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	46,396	262,587	313	309,296
Financial assets at fair value through other comprehensive income (Note 15)	–	–	439,057	439,057
Total	46,396	262,587	439,370	748,353
At 31 December 2019				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	52,310	155,352	–	207,662
Financial assets at fair value through other comprehensive income (Note 15)	–	–	382,139	382,139
Total	52,310	155,352	382,139	589,801

There were no transfers between levels during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) *Financial instruments in level 1*

As at 31 December 2020, the Group's financial assets at fair value through profit or loss which are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. 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. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) *Financial instruments in level 3*

The fair value of financial instruments included in level 3 is disclosed in Note 15.

The judgements and estimates made in determining the fair value of the Group's non-financial assets that are recognised and measured at fair value (representing the investment properties) have been disclosed in Notes 4(c) and 7.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivables and payables is either close to current market rates or the instruments are short-term in nature.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and 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 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.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income 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 and deferred tax provision in the year in which such determination is made.

Deferred income 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.

(b) PRC land appreciation taxes

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 its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the 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 taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.8.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2020 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2020 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management, and other property development related businesses. Other property development related businesses are mainly operations of hotels. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income from provision of commercial operational services and residential property management services and other property development related businesses. Revenue of the year consists of the following:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Sales of properties	31,485,863	22,477,631
Rental income of investment properties	1,561,769	1,419,940
Income from provision of commercial operational services and residential property management services	1,674,459	1,392,768
Income of other property development related businesses	773,209	751,293
	35,495,300	26,041,632

5 SEGMENT INFORMATION (CONTINUED)

- (a) Segment results represent the profit earned by each segment without fair value gains/losses on financial assets, losses on disposal of financial assets, dividend income of financial assets, unallocated operating costs, finance income/(costs)-net and income tax expense. The segment results and other segment items for the year ended 31 December 2020 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	31,485,863	1,667,926	1,921,238	800,204	-	35,875,231
Inter-segment revenue	-	(106,157)	(246,779)	(26,995)	-	(379,931)
Revenue	31,485,863	1,561,769	1,674,459	773,209	-	35,495,300
Share of post-tax profits/ (losses) of joint ventures	304,116	-	(3,009)	-	-	301,107
Share of post-tax profits of associates	365,850	-	-	33	-	365,883
Segment results	10,386,981	3,226,859	293,011	(174,955)	-	13,731,896
Fair value gains on financial assets at fair value through profit or loss						12,817
Dividend income of financial assets						1,218
Unallocated operating costs						(774,977)
Finance income – net						312,433
Profit before income tax						13,283,387
Income tax expense						(4,468,037)
Profit for the year						8,815,350
Depreciation and amortisation recognised as expenses	60,806	-	5,741	212,959	-	279,506
Fair value gains/(losses) on investment properties – net (Note 7)	-	2,187,227	(91,463)	-	-	2,095,764

5 SEGMENT INFORMATION (CONTINUED)

(a) (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2019 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	22,477,631	1,513,619	1,620,457	751,293	–	26,363,000
Inter-segment revenue	–	(93,679)	(227,689)	–	–	(321,368)
Revenue	22,477,631	1,419,940	1,392,768	751,293	–	26,041,632
Share of post-tax profits of joint ventures	225,003	–	–	–	–	225,003
Share of post-tax profits/ (losses) of associates	150,973	–	–	(221)	–	150,752
Segment results	8,308,362	3,367,105	153,633	(107,659)	–	11,721,441
Fair value losses on financial assets at fair value through profit or loss						(32,395)
Losses on disposal of financial assets at fair value through profit or loss						(3,993)
Dividend income of financial assets						2,390
Unallocated operating costs						(931,297)
Finance costs – net						(899,775)
Profit before income tax						9,856,371
Income tax expense						(3,838,474)
Profit for the year						6,017,897
Depreciation and amortisation recognised as expenses (Note 6)	80,115	–	3,872	189,019	–	273,006
Fair value gains/(losses) on investment properties – net (Note 7)	–	2,461,812	(67,409)	–	–	2,394,403

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2020 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	114,108,767	59,670,436	4,461,571	6,850,757	(5,461,981)	179,629,550
Other assets						15,501,963
Total assets						195,131,513
Segment assets include:						
Interests in joint ventures	4,304,080	-	2,511	-	-	4,306,591
Interests in associates	3,289,911	-	-	45,698	-	3,335,609
Segment liabilities	43,797,373	1,739,480	2,259,492	4,701,951	(5,461,981)	47,036,315
Other liabilities						96,294,032
Total liabilities						143,330,347
Capital expenditure	94,149	3,872,238	509,792	676,954	-	5,153,133

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2019 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	90,943,400	53,632,823	3,039,962	6,192,617	(5,695,015)	148,113,787
Other assets						14,383,168
Total assets						162,496,955
Segment assets include:						
Interests in joint ventures	3,862,523	-	4,700	-	-	3,867,223
Interests in associates	1,681,040	-	-	45,665	-	1,726,705
Segment liabilities	43,203,510	3,002,928	1,463,645	4,614,762	(5,695,015)	46,589,830
Other liabilities						77,000,097
Total liabilities						123,589,927
Capital expenditure	393,945	2,786,741	155,065	323,690	-	3,659,441

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Segment assets	179,629,550	148,113,787
Other assets		
– Prepaid taxes	865,430	1,019,461
– Deferred income tax assets	800,680	592,882
– Unallocated cash and cash equivalents and restricted cash	5,796,947	4,674,339
– Other receivables from related parties (Note 38(d))	7,211,693	7,408,233
– Unallocated property and equipment	69,308	76,940
– Other corporate assets	9,552	21,512
– Financial assets at fair value through other comprehensive income	439,057	382,139
– Financial assets at fair value through profit or loss	309,296	207,662
Total assets	195,131,513	162,496,955

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Segment liabilities	47,036,315	46,589,830
Other liabilities		
– Current income tax liabilities	10,462,611	8,625,998
– Deferred income tax liabilities	7,242,444	6,516,251
– Current borrowings	20,667,678	15,320,774
– Non-current borrowings	45,899,678	39,942,307
– Other payables to related parties (Note 38(d))	10,986,310	5,956,236
– Dividend payables to non-controlling interests	148,880	148,880
– Other corporate liabilities	886,431	489,651
Total liabilities	143,330,347	123,589,927

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, intangible assets, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6) and investment properties (Note 7).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Right-of use assets RMB'000	Total RMB'000
Year ended 31 December 2020						
Opening net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130
Additions	347,856	63,351	1,560	32,398	334,762	779,927
Transfer to investment properties (Note 7)	-	(298,127)	-	-	(198,199)	(496,326)
Consolidations of entity previously held as joint venture (Note 40)	-	-	-	33	-	33
Acquisition of a subsidiary	-	-	213	89	-	302
Transfers	(294,217)	294,217	-	-	-	-
Disposals	-	(5,241)	(393)	(1,753)	-	(7,387)
Disposals of subsidiaries	-	-	(526)	(65)	-	(591)
Depreciation/amortisation charges	-	(194,071)	(10,244)	(20,036)	(54,968)	(279,319)
Closing net book amount	796,745	2,766,023	9,296	127,733	1,521,972	5,221,769
At 31 December 2020						
Cost	796,745	3,776,552	81,115	399,409	1,778,389	6,832,210
Accumulated depreciation/amortisation	-	(1,010,529)	(71,819)	(271,676)	(256,417)	(1,610,441)
Net book amount	796,745	2,766,023	9,296	127,733	1,521,972	5,221,769
Year ended 31 December 2019						
Opening net book amount	539,933	2,661,470	28,644	140,515	1,189,963	4,560,525
Additions	360,082	24,401	5,401	14,005	324,917	728,806
Transfer from completed properties held for sale	-	396,773	-	-	-	396,773
Transfer to completed properties held for sale	(62,012)	-	-	-	(28,941)	(90,953)
Transfers	(94,897)	94,897	-	-	-	-
Disposals	-	(85,827)	(8,551)	(2,637)	-	(97,015)
Depreciation/amortisation charges	-	(185,820)	(6,808)	(34,816)	(45,562)	(273,006)
Closing net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130
At 31 December 2019						
Cost	743,106	3,734,225	86,131	375,415	1,641,826	6,580,703
Accumulated depreciation/amortisation	-	(828,331)	(67,445)	(258,348)	(201,449)	(1,355,573)
Net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130

6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation/amortisation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of sales	215,962	222,406
Selling and marketing costs	3,647	3,609
Administrative expenses	59,710	46,991
	279,319	273,006

Right-of-use assets comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2020, property and equipment with a net book amount of RMB2,266,167,000 (2019: RMB3,345,050,000) were pledged as collateral for the Group's borrowings (Note 23).

Borrowing costs of RMB61,509,000 (2019: RMB97,058,000) have been capitalised in assets under construction for the year ended 31 December 2020.

The capitalisation rate of borrowings for the year ended 31 December 2020 was 6.34% (2019: 6.25%).

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2020			
Opening net book amount	46,578,183	4,506,458	51,084,641
Additions	540,434	3,832,772	4,373,206
Acquisition of a subsidiary	73,838	–	73,838
Transfer from property and equipment (Note (a))	496,326	–	496,326
Revaluation gains upon transfer from property and equipment (Note (a))	122,937	–	122,937
Transfers	3,925,704	(3,925,704)	–
Fair value gains – net	785,372	1,310,392	2,095,764
Disposals	(3,374)	–	(3,374)
At 31 December 2020	52,519,420	5,723,918	58,243,338
Year ended 31 December 2019			
Opening net book amount	39,505,249	6,286,447	45,791,696
Additions	208,731	2,721,904	2,930,635
Transfers	6,073,400	(6,073,400)	–
Fair value gains – net	822,896	1,571,507	2,394,403
Disposals	(32,093)	–	(32,093)
At 31 December 2019	46,578,183	4,506,458	51,084,641

- (a) During the year ended 31 December 2020, certain owner-occupied properties and related land use rights were transferred to investment properties due to change in use. The difference between fair value and carry amounts of these properties and land use rights at the date of change in use is recognised on the other comprehensive income and the deferred tax liabilities.

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Rental income (Note 5)	1,561,769	1,419,940
Direct operating expenses arising from investment properties that generate rental income	(392,712)	(352,976)
Direct operating expenses arising from investment properties that do not generate rental income	(162,933)	(171,963)

Investment properties as at 31 December 2020 are held in the PRC on leases between 10 to 50 years (2019: 10 to 50 years).

Borrowing costs of RMB360,655,000 (2019: RMB388,575,000) have been capitalised in investment properties under construction for the year ended 31 December 2020. The capitalisation rate of borrowings for the year ended 31 December 2020 was 6.34% (2019: 6.25%).

7 INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2020, investment properties of RMB36,383,376,000 (2019: RMB28,106,568,000) were pledged as collateral for the Group's borrowings (Note 23).

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2020. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2020, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers to or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation 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.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land 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.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation 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.

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	
Completed investment properties	Commercial properties	48,241,541	Term and reversionary method	Term yields	4.0%-6.5%	The higher the term yields, the lower the fair value	
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value	
				Market rents (RMB/square meter/month)	56-354	The higher the market rents, the higher the fair value	
	Car parks	4,277,879	Direct comparison	Market price (RMB/per car park)	35,000-400,000	The higher the market price, the higher the fair value	
Investment properties under construction	Commercial properties	5,215,087	Residual method	Market rents (RMB/square meter/month)	45-145	The higher the market rents, the higher the fair value	
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value	
				Budgeted construction costs to be incurred (RMB/sq.m.)	622-3,829	The higher the budgeted construction costs to be incurred, the lower the fair value	
				Developer's profit (%)	5.0%-20.0%	The higher the developer's profit, the lower the fair value	
		Car parks	508,831	Residual method	Market price (RMB/per car park)	38,000-127,000	The higher the market price, the higher the fair value
					Budgeted construction costs to be incurred (RMB/sq.m.)	339-2,073	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value	

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2019 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	42,771,589	Term and reversionary method	Term yields	3.5%-6.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	67-283	The higher the market rents, the higher the fair value
Investment properties under construction	Commercial properties	3,637,254	Residual method	Market rents (RMB/square meter/month)	67-102	The higher the market rents, the higher the fair value
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value
	Car parks	3,806,594	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m.)	629-4,044	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10.0%-20.0%	The higher the developer's profit, the lower the fair value
				Market price (RMB/per car park)	75,000-320,000	The higher the market price, the higher the fair value
Car parks	869,204	Residual method	Budgeted construction costs to be incurred (RMB/sq.m.)	95-2,134	The higher the budgeted construction costs to be incurred, the lower the fair value	
			Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value	

8 LEASES

(i) Amounts recognised in the consolidated balance sheet relating to leases

	31 December	
	2020 RMB'000	2019 RMB'000
Right-of-use assets		
Property and equipment	1,521,972	1,440,377
Investment properties	692,388	209,045
	2,214,360	1,649,422
Lease liabilities		
Current	213,000	232,318
Non-current	675,920	197,515
	888,920	429,833

(ii) Amounts recognised in the consolidated statement of comprehensive income relating to leases

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation and amortisation charge (Note 6)		
Land use rights	(39,164)	(39,178)
Other properties	(15,804)	(6,384)
	(54,968)	(45,562)
Fair value losses relating to investment properties	91,463	67,409
Interest expense (included in finance cost)	35,595	21,341
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	14,163	11,618
Expense relating to variable leases payments not included in lease liabilities (included in cost of goods sold)	7,576	14,391
Cash outflows for lease payments (including principal elements and relevant interest expenses)	171,753	95,244

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2020 RMB'000	2019 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	10,634,408	11,105,411
– Interests capitalised	4,814,063	4,231,126
– Land use rights	33,270,826	21,110,383
	48,719,297	36,446,920

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The amounts of RMB27,516,461,000 as at 31 December 2020 (2019: RMB18,995,483,000) within normal operating cycle were expected to be completed and delivered beyond one year. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2020, properties under development of approximately RMB28,307,574,000 (2019: RMB20,668,199,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings for the year ended 31 December 2020 was 6.34% (2019: 6.25%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2020, completed properties held for sale of approximately RMB6,189,199,000 (2019: RMB5,103,603,000) were pledged as collateral for the Group's borrowings (Note 23).

11 TRADE RECEIVABLES

	31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables (Note (a))	2,259,611	2,032,754
– Third parties	2,218,069	2,020,186
– Related parties (Note 38(d))	41,542	12,568
Less: loss allowance (Note (b))	(95,773)	(46,074)
	2,163,838	1,986,680

11 TRADE RECEIVABLES (CONTINUED)

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Within 90 days	1,803,234	1,522,726
Over 90 days and within 180 days	86,589	20,447
Over 180 days and within 365 days	210,146	108,479
Over 365 days	159,642	381,102
	2,259,611	2,032,754

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB95,773,000 was made against the gross amounts of trade receivables (2019: RMB46,074,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	46,074	19,860
Provision for impairment	57,491	28,554
Receivables written off during the year as uncollectible	(6,001)	(2,340)
Unused amount reverse	(1,791)	–
At 31 December	95,773	46,074

- (c) As at 31 December 2020 and 2019, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables.
- (d) The Group's trade receivables are mainly denominated in RMB.

12 OTHER RECEIVABLES

	31 December	
	2020 RMB'000	2019 RMB'000
Deposits for acquisition of land use rights	363,435	667,810
Other receivables from:	15,758,805	15,828,807
– Related parties (Note 38(d))	7,211,693	7,408,233
– Non-controlling interests (Note (c))	5,302,505	6,183,065
– Other amounts due from third parties (Note (d))	3,244,607	2,237,509
Less: loss allowance	(94,302)	–
	16,027,938	16,496,617

- (a) The Group's other receivables are mainly denominated in RMB.
- (b) Included in other receivables from related parties, there are amounts due from joint ventures of approximately RMB1,829,022,000 (2019: RMB2,235,424,000) bearing interest at average rate of 7.34% per annum (2019: 7.38%) and repayable within one year.
- (c) Other receivables represent cash advances made to non-controlling interests, which are unsecured, interest free and repayable on demand.
- (d) Other receivables from third parties mainly consist of deposits for construction projects.
- (e) The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

13 PREPAYMENTS

	31 December	
	2020 RMB'000	2019 RMB'000
Acquisition of land use rights (Note (a))	10,995,180	8,577,064
Others	405,430	315,827
	11,400,610	8,892,891
Less: non-current portion		
Prepayments for acquisition of investment properties	(1,269,164)	–
	10,131,446	8,892,891

- (a) Prepayments for land acquisitions are made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 37(a)).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL comprise equity investments that are held for trading and equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening amounts as at 1 January	207,662	297,565
Additions	88,504	–
Acquisition of a subsidiary	313	–
Fair value gains/(losses) (Note 30)	12,817	(32,395)
Disposals	–	(57,508)
Closing amounts as at 31 December	309,296	207,662
Less: non-current portion	(313)	–
	308,983	207,662

FVPL comprise the following individual investments:

	31 December	
	2020 RMB'000	2019 RMB'000
Hong Kong listed equity securities	46,396	52,310
Investment fund	262,587	155,352
Others	313	–
	309,296	207,662

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification and measurement

FVOCI comprise equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening amounts as at 1 January	382,139	348,461
Net gains recognised in other comprehensive income	56,918	33,678
Closing amounts as at 31 December	439,057	382,139

Equity investments at FVOCI comprise the following individual investments:

	31 December	
	2020 RMB'000	2019 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (i))	424,284	367,287
– Other unlisted equity investments	14,773	14,852
	439,057	382,139

- (i) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2020, the fair value of this 5% equity interest was derived by using the market approach.

(b) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 31 December 2020 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

The amounts recognised in the balance sheet are as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Investments in joint ventures	4,306,591	3,867,223
Investments in associates	3,335,609	1,726,705
	7,642,200	5,593,928

The profits recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Joint ventures (Note (a))	301,107	225,003
Associates (Note (b))	365,883	150,752
	666,990	375,755

(a) Joint ventures

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	3,867,223	3,151,990
Additions	841,700	584,461
Dividends declared	(426,060)	–
Transfer to subsidiary (Note 40)	(210,065)	–
Disposal	–	(44,581)
Share of profits – net	301,107	225,003
Currency translation differences	(16,027)	4,736
Elimination of unrealised profits	(51,287)	(54,386)
At 31 December	4,306,591	3,867,223

The contingent liabilities relating to the Group's financial guarantee provided for the joint ventures are disclosed in Note 36. There is no commitment relating to the Group's interests in the joint ventures.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)**(b) Associates**

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	1,726,705	975,453
Additions	1,338,061	602,918
Acquisition of a subsidiary	1,000	–
Dividends declared	(85,000)	–
Share of profits – net	365,883	150,752
Disposals	(1,000)	–
Elimination of unrealised profits	(10,040)	(2,418)
At 31 December	3,335,609	1,726,705

The contingent liabilities relating to the Group's financial guarantee provided for the associates are disclosed in Note 36. There is no commitment relating to the Group's interests in the associates.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2020 RMB'000	2019 RMB'000
Financial assets at amortised cost:	46,104,337	41,486,147
Trade receivables	2,163,838	1,986,680
Other receivables excluding deposits	15,664,503	15,828,807
Restricted cash	2,937,270	3,365,115
Cash and cash equivalents	25,338,726	20,305,545
FVOCI	439,057	382,139
FVPL	309,296	207,662
	46,852,690	42,075,948

17 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**Financial liabilities**

	31 December	
	2020 RMB'000	2019 RMB'000
Financial liabilities at amortised cost:		
Borrowings	66,567,356	55,263,081
Trade and other payables excluding other taxes and salaries payables	34,463,682	29,382,615
Lease liabilities	888,920	429,833
	101,919,958	85,075,529

18 RESTRICTED CASH

	31 December	
	2020 RMB'000	2019 RMB'000
Guarantee deposits for construction projects (Note (a))	1,335,299	618,040
Guarantee deposits for bank acceptance notes	–	10,417
Guarantee deposits for bank borrowings (Note (b))	1,504,790	2,655,832
Others	97,181	80,826
	2,937,270	3,365,115
Denominated in:		
– RMB	2,853,106	2,667,494
– HK\$	84,164	–
– US\$	–	697,621
	2,937,270	3,365,115

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) As at 31 December 2020, the Group has placed cash deposits of approximately RMB1,504,790,000 (2019: RMB2,655,832,000) with designated banks as security for bank borrowings (Note 23).

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 regulations of foreign exchange control promulgated by the PRC government.

19 CASH AND CASH EQUIVALENTS

	31 December	
	2020 RMB'000	2019 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	24,048,516	18,298,660
– Denominated in HK\$	405,879	1,607,318
– Denominated in US\$	884,331	399,567
	25,338,726	20,305,545

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 regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
As at 1 January 2019, 31 December 2019 and 31 December 2020	30,000,000,000	–	–	–
Issued and fully paid:				
As at 1 January 2020	4,143,903,000	36,809	682,279	719,088
Repurchase of share (Note (a))	(1,500,000)	(14)	(5,530)	(5,544)
Dividends	–	–	(676,749)	(676,749)
As at 31 December 2020	4,142,403,000	36,795	–	36,795
As at 1 January 2019	3,997,303,000	35,486	1,128,639	1,164,125
Proceeds from share placement	146,600,000	1,323	705,039	706,362
Dividends	–	–	(1,151,399)	(1,151,399)
As at 31 December 2019	4,143,903,000	36,809	682,279	719,088

- (a) During the year ended 31 December 2020, the Company repurchased an aggregate of 1,500,000 shares through the Stock Exchange at a total consideration of HK\$6,243,920 (equivalent to approximately RMB5,544,000). The aforesaid repurchased shares have been cancelled.

21 OTHER RESERVES

	Merger reserve	Other reserves	Statutory reserves	Share-based compensation reserves	Revaluation reserves	Capital injection by non- controlling interests	Transaction with non- controlling interests	Total
	RMB'000 (Note (a))	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000 (Note (d))	RMB'000 (Note (b))	RMB'000 (Note (e))	RMB'000	RMB'000
Balance at 1 January 2020	337,203	3,557	127,290	-	272,959	926,674	1,606	1,669,289
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(518,025)	(518,025)
Change in fair value of FVOCI, net of tax	-	-	-	-	42,688	-	-	42,688
Transfer from property and equipment to investment properties, net of tax	-	-	-	-	92,203	-	-	92,203
Employee share award scheme	-	-	-	13,097	-	-	-	13,097
Appropriation to statutory reserves	-	-	1,187	-	-	-	-	1,187
Currency translation differences	-	(16,027)	-	-	-	-	-	(16,027)
Capital injection from non-controlling interests	-	-	-	-	-	297,775	-	297,775
Balance at 31 December 2020	337,203	(12,470)	128,477	13,097	407,850	1,224,449	(516,419)	1,582,187
Balance at 1 January 2019	337,203	(1,179)	95,746	-	247,700	-	1,606	681,076
Change in fair value of FVOCI, net of tax	-	-	-	-	25,259	-	-	25,259
Appropriation to statutory reserves	-	-	31,544	-	-	-	-	31,544
Currency translation differences	-	4,736	-	-	-	-	-	4,736
Capital injection from non-controlling interests	-	-	-	-	-	926,674	-	926,674
Balance at 31 December 2019	337,203	3,557	127,290	-	272,959	926,674	1,606	1,669,289

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

21 OTHER RESERVES (CONTINUED)**(b) Other comprehensive income**

	Year ended 31 December 2020		
	Other reserves	Revaluation reserves	Total other comprehensive income
	RMB'000	RMB'000	RMB'000
Items that may be reclassified subsequently to profit or loss: Currency translation differences (Note 16(a))	(16,027)	-	(16,027)
Items that will not be reclassified subsequently to profit or loss: Revaluation gains on property and equipment transferred to investment properties (Note 7)	-	122,937	122,937
Fair value gains on FVOCI – gross (Note 15)	-	56,918	56,918
Tax charge – deferred income tax	-	(44,964)	(44,964)
Total other comprehensive income – net of tax	(16,027)	134,891	118,864

	Year ended 31 December 2019		
	Other reserves	Revaluation reserves	Total other comprehensive income
	RMB'000	RMB'000	RMB'000
Items that may be reclassified subsequently to profit or loss: Currency translation differences (Note 16(a))	4,736	-	4,736
Items that will not be reclassified subsequently to profit or loss: Fair value gains on FVOCI – gross (Note 15)	-	33,678	33,678
Tax charge – deferred income tax	-	(8,419)	(8,419)
Total other comprehensive income – net of tax	4,736	25,259	29,995

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group will transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

21 OTHER RESERVES (CONTINUED)

(c) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(d) Employee share award scheme

Powerlong Commercial Management Holding Limited ("Powerlong CM"), a subsidiary of the Group, was listed on the Stock Exchange on 30 December 2019 (the "listing"). On 24 November 2020, Powerlong CM granted 11,250,000 awarded shares under share award scheme to Mr. Chen Deli, the executive Director and the chief executive officer of Powerlong CM. The awarded shares will be transferred to Mr. Chen Deli after the relevant vesting conditions are fulfilled.

(e) Capital injection by non-controlling interests

On 22 January 2020, Powerlong CM exercised the over-allotment option in connection with the Listing and issued 22,500,000 additional shares at a price of HK\$9.50 per share. Net proceeds of the over-allotment amounted to approximately HK\$207,962,000 (equivalent to approximately RMB184,647,000). The excess of the net proceeds over the proportionated net assets of Powerlong CM being diluted of approximately RMB133,337,000 was credited to the other reserves and the non-controlling interest increased by RMB51,310,000.

On 10 September 2020, Powerlong CM entered into a Subscription Agreement with Mr. Chen Deli, pursuant to which, Powerlong CM allotted and issued, and Mr. Chen Deli subscribed 11,250,000 new Shares at a price of HK\$24.30 per share. Net proceeds of the subscription shares amounted to approximately HK\$273,375,000 (equivalent to approximately RMB231,314,000). The excess of the net proceeds over the proportionated net assets of Powerlong CM being diluted of approximately RMB164,438,000 was credited to the other reserves and the non-controlling interest increased by RMB66,876,000.

22 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2020	800,000	20,364	820,364
Redemption of Perpetual Capital Instruments	(300,000)	–	(300,000)
Profit attributable to holders of Perpetual Capital Instruments	–	50,979	50,979
Distribution to holders of Perpetual Capital Instruments	–	(51,562)	(51,562)
Balance as at 31 December 2020	500,000	19,781	519,781
Balance as at 1 January 2019	1,546,000	6,254	1,552,254
Issuance of Perpetual Capital Instruments	500,000	–	500,000
Redemption of Perpetual Capital Instruments	(1,246,000)	–	(1,246,000)
Profit attributable to holders of Perpetual Capital Instruments	–	69,556	69,556
Distribution to holders of Perpetual Capital Instruments	–	(55,446)	(55,446)
Balance as at 31 December 2019	800,000	20,364	820,364

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

23 BORROWINGS

	31 December	
	2020 RMB'000	2019 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	13,765,707	13,073,322
Corporate bonds (Note (b))	11,928,398	8,644,860
Commercial mortgage backed securities (Note (c))	2,341,364	843,615
Assets-backed securities (Note (d))	1,269,231	–
Bank borrowings (Note (e))	32,965,056	26,049,451
– secured	32,819,276	25,910,556
– unsecured	145,780	138,895
Other borrowings – secured (Note (f))	350,000	1,476,200
Less: current portion of non-current borrowings	(16,720,078)	(10,145,141)
	45,899,678	39,942,307
Borrowings included in current liabilities:		
Bank borrowings – secured (Note (e))	2,384,600	3,498,953
Other borrowings – secured (Note (f))	763,000	677,400
Short-term commercial papers	800,000	999,280
Current portion of long-term borrowings	16,720,078	10,145,141
	20,667,678	15,320,774
Total borrowings	66,567,356	55,263,081

(a) Senior notes

As at 31 December 2020, senior notes of RMB12,924,867,000 (2019: RMB12,178,897,000) was listed on the Singapore Exchange Securities Trading Limited which contain various early redemption options. The options 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 as at 31 December 2020 and 2019.

The Group's senior notes are guaranteed and secured by pledges of certain subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

As at 31 December 2020, corporate bonds of RMB10,030,811,000 (2019: RMB5,711,845,000) are with the issuer's option to raise the coupon rate and the investor's option to sell back the bonds at the end of the second, third, fourth or fifth years. The options embedded in the corporate bonds 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 options was insignificant as at 31 December 2020 and 2019.

23 BORROWINGS (CONTINUED)

(c) Commercial mortgage backed securities

Certain PRC subsidiaries of the Company engaged in commercial property operation have entered into Commercial Mortgage Backed Securities (“CMBS”) arrangement with a PRC assets management company by pledge of the commercial properties of the subsidiaries and the right of receipt of rental income derived from these commercial properties for certain years.

On 6 September 2019, the CMBS was established with an aggregate nominal value of RMB900,000,000, with an 18-year maturity, amongst which RMB50,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB842,985,000.

On 30 October 2020, another CMBS was established with an aggregate nominal value of RMB1,503,000,000, with an 18-year maturity, amongst which RMB3,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,493,212,000.

(d) Assets-backed securities

Certain PRC subsidiaries of the Company engaged in property development have entered into Assets-backed Securities (“ABS”) arrangement with a PRC assets management company by pledging the trade receivables from sale of properties. On 29 July 2020, an ABS was established with an aggregate nominal value of RMB1,360,000,000, with a 2-year maturity, amongst which RMB80,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,266,513,000.

(e) Bank borrowings

As at 31 December 2020, bank borrowings of RMB35,203,876,000 (2019: RMB29,409,509,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 18); the secured bank borrowings of RMB5,612,354,000 (2019: RMB3,450,000,000) were additionally guaranteed by certain related parties (Note 38(b)(iii)).

(f) Other borrowings

As at 31 December 2020, borrowings from other financial institutions of RMB1,113,000,000 (2019: RMB2,153,600,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 9) and completed properties held for sale (Note 10).

23 BORROWINGS (CONTINUED)

- (g) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020	12,724,612	40,882,070	10,355,360	2,605,314	66,567,356
At 31 December 2019	9,892,731	34,670,509	8,872,426	1,827,415	55,263,081

- (h) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2020		31 December 2019	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
Senior Notes (Note (i))	9,685,392	10,153,814	9,275,357	9,492,301
Corporate bonds (Note (ii))	5,014,406	5,030,000	6,618,957	6,810,000
Commercial mortgage backed securities (Note (ii))	2,257,766	2,350,000	843,615	850,000
Assets-backed securities (Note (ii))	1,269,231	1,280,000	–	–
Bank borrowings (Note (iii))	27,322,883	27,322,883	22,058,078	22,058,078
Other borrowings (Note (iii))	350,000	350,000	1,146,300	1,146,300
	45,899,678	46,486,697	39,942,307	40,356,679

Notes:

- (i) The fair values were determined directly by reference to the price quotations published by Singapore Stock Exchange Limited on 31 December 2020 and 2019, using the pricing of dealing date and were within level 1 of the fair value hierarchy.
- (ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2020 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.
- (iii) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

23 BORROWINGS (CONTINUED)

(i) The effective interest rates of borrowings are as follows:

	31 December	
	2020	2019
Senior notes	7.18%	7.32%
Corporate bonds	7.24%	6.90%
Commercial mortgage backed securities	5.77%	6.38%
Assets-backed securities	6.87%	–
Bank and other borrowings	5.86%	6.10%
Short-term commercial papers	5.68%	5.87%

(j) The maturity of the borrowings is as follows:

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Senior notes	4,080,315	2,779,912	6,905,480	–	13,765,707
Corporate bonds	6,913,992	3,519,048	1,495,358	–	11,928,398
Commercial mortgage backed securities	83,598	81,645	325,030	1,851,091	2,341,364
Assets-backed securities	–	1,269,231	–	–	1,269,231
Bank borrowings	8,026,773	6,581,184	12,715,466	8,026,233	35,349,656
Other borrowings	763,000	–	–	350,000	1,113,000
Short-term commercial papers	800,000	–	–	–	800,000
	20,667,678	14,231,020	21,441,334	10,227,324	66,567,356
As at 31 December 2019					
Senior notes	3,797,965	5,164,964	4,110,393	–	13,073,322
Corporate bonds	2,025,904	4,903,671	1,665,286	49,999	8,644,860
Commercial mortgage backed securities	–	–	–	843,615	843,615
Bank borrowings	7,490,325	7,280,184	9,741,095	5,036,800	29,548,404
Other borrowings	1,007,300	796,300	350,000	–	2,153,600
Short-term commercial papers	999,280	–	–	–	999,280
	15,320,774	18,145,119	15,866,774	5,930,414	55,263,081

23 BORROWINGS (CONTINUED)

(k) As at 31 December 2020 and 2019, the Group had the following undrawn borrowing facilities:

	31 December	
	2020 RMB'000	2019 RMB'000
Floating rate:		
– expiring within 1 year	1,020,300	–
– expiring beyond 1 year	5,197,346	6,546,991
Fixed rate:		
– expiring within 1 year	30,000	891,956
– expiring beyond 1 year	51,500	–
	6,299,146	7,438,947

24 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	427,482	315,107
To be realised within 12 months	373,198	277,775
	800,680	592,882
Deferred income tax liabilities:		
To be realised after more than 12 months	(6,673,448)	(5,626,867)
To be realised within 12 months	(568,996)	(889,384)
	(7,242,444)	(6,516,251)
	(6,441,764)	(5,923,369)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	(5,923,369)	(5,630,847)
Recognised in income tax expense (Note 32)	(421,637)	(284,103)
Tax charge relating to components of other comprehensive income (Note 21(b))	(44,964)	(8,419)
Consolidation of entities previously held as joint ventures	(50,548)	–
Acquisition of a subsidiary	(1,246)	–
At 31 December	(6,441,764)	(5,923,369)

24 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter- company transactions RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	338,439	522,068	90,876	15,425	966,808
Consolidations of entities previously held as joint ventures	-	6,630	-	-	6,630
Acquisition of a subsidiary	-	-	1,895	-	1,895
Credited to the income tax expense	101,771	2,801	127,399	32,094	264,065
At 31 December 2020	440,210	531,499	220,170	47,519	1,239,398
At 1 January 2019	243,745	486,986	-	-	730,731
Credited to the income tax expense	94,694	35,082	90,876	15,425	236,077
At 31 December 2019	338,439	522,068	90,876	15,425	966,808

24 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Excess of carrying amount of land use right over the tax bases	Temporary difference on revaluation gains of investment properties	Temporary difference on revaluation of FVOCI	Temporary difference on right-of-use assets	Withholding tax on profit to be distributed in future	Temporary difference on interest capitalisation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	(706,919)	(5,639,423)	(25,049)	(55,771)	(100,000)	(285,486)	(77,529)	(6,890,177)
Consolidations of entities previously held as joint ventures	(57,178)	-	-	-	-	-	-	(57,178)
Acquisition of a subsidiary	-	-	-	(1,740)	-	-	(1,401)	(3,141)
Tax credited/(charged) to the income tax expense	146,300	(550,442)	-	(122,146)	21,000	(180,461)	47	(685,702)
Tax charge relating to components of other comprehensive income	-	-	(14,229)	-	-	-	(30,735)	(44,964)
At 31 December 2020	(617,797)	(6,189,865)	(39,278)	(179,657)	(79,000)	(465,947)	(109,618)	(7,681,162)
At 1 January 2019	(1,036,218)	(5,037,324)	(16,630)	-	-	(188,384)	(83,022)	(6,361,578)
Tax credited/(charged) to the income tax expense	329,299	(602,099)	-	(55,771)	(100,000)	(97,102)	5,493	(520,180)
Tax charge relating to components of other comprehensive income	-	-	(8,419)	-	-	-	-	(8,419)
At 31 December 2019	(706,919)	(5,639,423)	(25,049)	(55,771)	(100,000)	(285,486)	(77,529)	(6,890,177)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB436,997,000 (2019: RMB306,553,000) in respect of losses amounting to RMB1,747,989,000 (2019: RMB1,226,211,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

24 DEFERRED INCOME TAX (CONTINUED)**Deferred income tax liabilities (continued)**

Tax losses will expire in the following years:

Year	RMB'000
2021	192,753
2022	63,610
2023	340,501
2024	507,161
2025	643,964
	1,747,989

Deferred income tax liabilities of RMB3,687,622,000 (2019: RMB3,179,647,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB36,876,216,000 as at 31 December 2020 (2019: RMB31,796,468,000), as the Group does not have a plan to distribute these earnings out of the PRC.

25 TRADE AND OTHER PAYABLES

	31 December	
	2020 RMB'000	2019 RMB'000
Trade payables (Note (a))	13,183,955	12,757,169
– Related parties (Note 38(d))	25,800	33,945
– Third parties	12,890,578	12,712,860
– Notes payable – third parties	267,577	10,364
Other payables and accruals	17,500,555	13,123,425
– Related parties (Note 38(d))	10,986,310	5,956,236
– Non-controlling interests (Note (b))	3,824,565	3,373,658
– Third parties (Note (c))	2,689,680	3,793,531
Payables for retention fee	823,415	981,622
Value-added tax received in advance from customers	1,928,838	1,399,495
Interest payable	1,068,161	1,052,832
Payables for acquisition of land use rights	23,751	90,401
Other taxes payable	734,129	506,376
Dividend payables to non-controlling interests	148,880	148,880
	35,411,684	30,060,200
Less: non-current portion		
Other payables – third parties	(182,167)	(87,617)
Current portion	35,229,517	29,972,583

25 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The ageing analysis of trade payables as at 31 December 2020 and 2019 based on invoice date is as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Within 90 days	8,993,850	9,184,699
Over 90 days and within 180 days	2,513,720	2,171,344
Over 180 days and within 365 days	1,217,702	1,046,201
Over 365 days and within 3 years	458,683	354,925
	13,183,955	12,757,169

- (b) Amounts included certain cash advances from non-controlling interest of approximately RMB518,312,000 which are interest-borne and are repayable according to respective arrangements.
- (c) Amounts represent mainly cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (d) Group's trade and other payables were mainly denominated in RMB, except for the interest payables of RMB314,023,000 and RMB21,860,000 (2019: RMB275,399,000 and RMB23,266,000), which was denominated in US\$ and HK\$ respectively.
- (e) The fair value of trade and other payables approximate their carrying amounts.

26 CONTRACT LIABILITIES

	31 December	
	2020 RMB'000	2019 RMB'000
Contract liabilities		
– Related parties (Note 38(d))	74,209	29,921
– Third parties	22,683,123	22,664,643
	22,757,332	22,694,564

Contract liabilities mainly represent the receipts of the property sales.

(a) Revenue recognised in relation to contract liabilities

The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	18,702,253	13,642,565

(b) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 31 December 2020 and 31 December 2019.

27 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2020 RMB'000	2019 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	5,575,055	4,493,586
– PRC land appreciation tax payable	4,796,556	4,132,412
– PRC withholding tax payable	91,000	–
	10,462,611	8,625,998

28 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	20,156,143	14,431,134
Staff costs and other labour costs (including directors' emoluments)	1,808,323	1,590,611
Employee benefit expenditure and other labour costs – including directors' emoluments	2,078,184	1,846,888
Less: capitalised in properties under development, investment properties under construction and construction in progress	(269,861)	(256,277)
Taxes and other levies	262,581	190,123
Advertising costs	700,078	489,538
Hotel operations expenses	296,977	374,683
Outsourced security, greening, cleaning and maintenance costs	288,409	246,228
Depreciation and amortisation	279,506	273,006
– Property and equipment (Note 6)	224,351	227,444
– Right-of-use assets (Note 6)	54,968	45,562
– Intangible assets	187	–
Utilities	138,303	109,918
Office related expenses	93,863	82,193
Donations	68,892	154,385
Rental expenses	30,237	26,009
Auditor's remuneration	11,666	14,025
– Audit services	8,000	6,700
– Non-audit services	3,666	7,325

29 STAFF COSTS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages and salaries	1,696,547	1,481,721
Pension costs – statutory pension	171,320	264,008
Employee share award scheme	18,416	–
Other staff welfare and benefits	56,014	51,689
	1,942,297	1,797,418
Less: capitalised in properties under development, investment properties under construction and construction in progress	(269,861)	(256,277)
	1,672,436	1,541,141

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2019: four) directors whose emoluments are reflected in the analysis presented in Note 43. The aggregate amounts of emoluments of the other one (2019: one) highest paid individual for the year ended 31 December 2020 and 2019 are set out below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Employee share award scheme (Note 21(d))	18,416	–
Wages and salaries	700	840
Fee	140	–
Allowance	21	96
Retirement scheme contributions	65	101
	19,342	1,037

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK\$)		
HK\$22,000,000 to HK\$23,000,000	1	–
HK\$1,000,000 to HK\$1,500,000	–	1

During the year ended 31 December 2020, no emolument was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices (2019: nil).

29 STAFF COSTS (CONTINUED)

(b) Pensions – defined contribution 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 government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

30 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Interest income	82,241	120,957
Exchange gains – net (Note (a))	42,861	1,406
Fair value gains on the remeasurement of investments in joint ventures (Note 40)	37,919	–
Fair value gains/(losses) on financial assets at fair value through profit or loss	12,817	(32,395)
Gains on disposal of investment properties	2,062	9,220
Gains on disposal of a joint venture and an associate (Note (b))	2,000	805,854
Dividend income of financial assets at fair value through profit or loss	1,218	2,390
Losses on disposal of financial assets at fair value through profit or loss	–	(3,993)
Others	3,108	23,669
	184,226	927,108

(a) Amount mainly represents the net gains on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance (income)/costs – net" (Note 31).

(b) On 25 September 2019, the Group disposed of a joint venture in the PRC to a third party at an aggregated consideration of approximately RMB850 million and recorded a gain of approximately RMB806 million.

31 FINANCE (INCOME)/COSTS – NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Interest expense:		
Borrowings	4,275,175	3,572,605
Convertible Bonds	–	5,135
Lease liabilities	35,595	21,341
	4,310,770	3,599,081
Less: finance costs capitalised	(3,004,478)	(2,594,010)
Foreign exchange (gains)/losses on financing activities – net	(1,205,882)	167,881
Finance costs	100,410	1,172,952
Interest income of bank deposits	(413,133)	(273,177)
Gains of early redemption of senior note	290	–
Finance (income)/costs – net	(312,433)	899,775

32 INCOME TAX EXPENSE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax:		
PRC corporate income tax	2,366,554	1,988,146
PRC land appreciation tax	1,679,846	1,566,225
	4,046,400	3,554,371
Deferred income tax:		
PRC corporate income tax	513,759	460,132
PRC land appreciation tax	(92,122)	(176,029)
	421,637	284,103
	4,468,037	3,838,474

The tax charge on other comprehensive income has been disclosed in Note 21(b).

32 INCOME TAX EXPENSE (CONTINUED)

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the respective group entities as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	13,283,387	9,856,371
Calculated at applicable corporate income tax rate	3,454,944	2,601,933
Effect of expenses not deductible for income tax	21,938	83,326
Effect of income not subject to income tax	(249,872)	(7,709)
Share of profits of investments accounted for using the equity method	(166,748)	(93,939)
Tax losses for which no deferred income tax asset was recognised	160,991	129,175
Utilisation of tax losses previously not recognised	(14,009)	(16,959)
PRC land appreciation tax deductible for PRC corporate income tax purposes	(396,931)	(347,549)
	2,810,313	2,348,278
PRC withholding income tax on profit to be distributed in the future	70,000	100,000
PRC land appreciation tax	1,587,724	1,390,196
	4,468,037	3,838,474

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

32 INCOME TAX EXPENSE (CONTINUED)

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

33 EARNINGS PER SHARE

(a) Basic

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 year.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	6,093,216	4,041,116
Weighted average number of ordinary shares in issue (thousand shares)	4,142,654	4,025,418
Basic earnings per share (RMB cents per share)	147.1	100.4

33 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Convertible bonds have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from convertible bonds.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)		
Used in calculating basic earnings per share	6,093,216	4,041,116
Add: interest expense on Convertible Bonds	–	5,135
Used in calculating diluted earnings per share	6,093,216	4,046,251
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)		
Used in calculating basic earnings per share	4,142,654	4,025,418
Adjustments:		
Convertible Bonds	–	30,449
Used in calculating diluted earnings per share	4,142,654	4,055,867
Diluted earnings per share (RMB cents per share)	147.1	99.8

Convertible Bonds issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings.

34 DIVIDENDS

The dividend paid in 2020 consists of (i) the payment of the 2019 final cash dividend of HK\$27.0 cents per ordinary share totalling HK\$1,118,449,000 (equivalent to RMB1,022,598,000) (2018 final cash dividend of HK\$23.2 cents per ordinary share totalling HK\$927,374,000) and the special dividend of HK\$4.0 cents per ordinary share totalling HK\$165,696,000 (equivalent to RMB151,496,000), and (ii) 2020 interim dividend of HK\$12.0 cents per ordinary share in form of cash totalling HK\$497,088,000 (equivalent to RMB444,636,000) (2019 interim dividend: HK\$9.0 cents per ordinary share in form of cash totalling HK\$372,951,000).

The Board recommended the payment of a final dividend of HK\$33.0 cents per ordinary share. Total amount of final dividend would be HK\$1,366,993,000 (equivalent to approximately RMB1,150,516,000) which is calculated according to the ordinary shares in issue as of 31 December 2020. Such dividends is subject to approval by the shareholders at the Annual General Meeting on 11 June 2021. These consolidated financial statements do not reflect this dividend payable.

35 CASH FLOW INFORMATION**(a) Cash generated from operations**

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before taxation	13,283,387	9,856,371
Adjustments for:		
Depreciation and amortisation	279,506	273,006
– Property and equipment (Note 6)	224,351	227,444
– Right-of-use assets (Note 6)	54,968	45,562
– Intangible assets	187	–
Fair value gains on investment properties – net (Note 7)	(2,095,764)	(2,394,403)
Net impairment losses on financial assets	150,002	26,455
Share of profit of investments accounted for using the equity method (Note 16)	(666,990)	(375,755)
Other income and gains-net (Note 30)	(184,226)	(927,108)
Finance costs – net (Note 31)	(312,433)	899,775
Amortisation of employee share award scheme	18,416	–
Changes in operating capital:		
Properties under development and completed properties held for sale	(11,978,916)	(3,313,235)
Restricted cash	(723,197)	(298,137)
Trade and other receivables	(431,326)	(3,454,837)
Contract assets	(126,422)	(272,949)
Prepayments	(2,872,149)	(6,878,274)
Trade and other payables	479,873	8,047,818
Contract liabilities	(527,909)	6,250,380
Cash generated from operation	(5,708,148)	7,439,107

35 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties and non controlling interests RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Leases RMB'000	Total RMB'000
Net debt as at 1 January 2020	5,956,236	55,263,081	-	429,833	61,649,150
Cash flows					
- Inflow from financing activities	9,892,897	38,638,283	-	-	48,531,180
- Outflow from financing activities	(4,492,209)	(26,524,943)	-	(171,753)	(31,188,905)
Consolidation of entity previously held as joint venture (Note 40)	-	232,500	-	-	232,500
Acquisition - leases	-	-	-	521,242	521,242
Acquisition of a subsidiary	-	-	-	74,003	74,003
Foreign exchange adjustments	-	(1,158,974)	-	-	(1,158,974)
Other changes (i)	-	117,409	-	35,595	153,004
Net debt as at 31 December 2020	11,356,924	66,567,356	-	888,920	78,813,200

	Loan from related parties RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Leases RMB'000	Total RMB'000
Net debt as at 1 January 2019	5,698,571	47,357,628	1,743,638	299,876	55,099,713
Cash flows					
- Inflow from financing activities	2,509,013	31,778,199	-	-	34,287,212
- Outflow from financing activities	(2,251,348)	(24,267,226)	(1,701,689)	(95,244)	(28,315,507)
Acquisition - leases	-	-	-	203,860	203,860
Foreign exchange adjustments	-	209,830	(41,949)	-	167,881
Other changes (i)	-	184,650	-	21,341	205,991
Net debt as at 31 December 2019	5,956,236	55,263,081	-	429,833	61,649,150

- (i) Other movements mainly comprise: i) amortisation of issuance costs of senior notes, corporate bonds, commercial mortgage backed securities and assets-backed securities, ii) finance expenses recognised of leases and iii) gains on early redemption of senior notes.

36 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2020 RMB'000	2019 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	29,461,621	23,098,673
Guarantees for borrowings of joint ventures and associates (Note (b))	1,394,430	1,126,615
	30,856,051	24,225,288

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and 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 the fair value of these financial guarantees is immaterial.

- (b) Amounts represent principal amounts of the loans of the joint ventures and associates guaranteed by the Group. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

37 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2020 RMB'000	2019 RMB'000
Contracted but not provided for:		
Properties development activities	14,102,853	9,103,153
Acquisition of land use rights	5,954,026	4,688,797
	20,056,879	13,791,950

(b) Leases commitments

As at 31 December 2020, the Group did not have any material short-term lease commitments.

38 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate controlling shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate controlling shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate controlling shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate controlling shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate controlling shareholder
Mantong (HK) Trading Co., Limited 萬通(香港)貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Yueshang Information Technology Co., Ltd. 上海悅商資訊科技有限公司	Significantly influenced by the Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Development Co., Ltd. 天津寶龍金駿房地產開發有限責任公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Development Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xuting Property Development Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	Joint venture of the Group
Yangzhou Golden Wheel Powerlong Property Development Co., Ltd. 揚州金輪寶龍置業有限公司	Joint venture of the Group
Tianjin Shunji Property Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Property Development Co., Ltd. 寧波寶龍華豐置業發展有限公司	Joint venture of the Group
Shanghai Xiaofeng Enterprise Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Name and relationship with related parties (continued)**

Name	Relationship
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Ningbo Youngor Baolong Property Development Co., Ltd. 寧波雅戈爾寶龍置業有限公司	Joint venture of the Group
Shanghai Baoshen Digital Technology Co., Ltd. 上海寶申數字科技有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海半傑企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Property Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Tianjin Binhui Property Development Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Changzhou Chengyuan Property Development Co., Ltd. 常州誠遠置業發展有限公司	Joint venture of the Group
Taizhou Pengmiao Real Estate Development Co., Ltd. 台州鵬淼房地產開發有限公司	Joint venture of the Group
Qingdao Hailong Yilian Property Development Co., Ltd. 青島海龍衣聯置業有限公司	Joint venture of the Group
Taizhou Huayi Property Development Co., Ltd. 台州華懿置業有限公司	Joint venture of the Group
Taizhou Tianqu Property Development Co., Ltd. 台州天衢置業有限公司	Joint venture of the Group
Pingyang Zhongji Lianye Property Development Co., Ltd. 平陽中基聯業置業有限公司	Joint venture of the Group
Hangzhou Powerlong Taoyuan Property Development Co., Ltd. 杭州寶龍桃源置業發展有限公司	Joint venture of the Group
Zhoushan Longyu Commercial Investment Co., Ltd. 舟山龍宇商業投資有限公司	Joint venture of the Group
Zhoushan Longyu Hotel Co., Ltd. 舟山龍宇大酒店有限公司	Joint venture of the Group
Yiwu Meilong Property Development Co., Ltd. 義烏美龍置業有限公司	Joint venture of the Group
Hangzhou Lin'an Longxing Real Estate Development Co., Ltd. 杭州臨安龍興房地產開發有限公司	Joint venture of the Group
Shaoxing Shimao Xinqihang Property Development Co., Ltd. 紹興世茂新啟航置業有限公司	Joint venture of the Group
Lanxi Longrui Real Estate Development Co., Ltd. 蘭溪龍瑞房地產開發有限公司	Joint venture of the Group
Ningbo Ronghui Property Development Co., Ltd. 寧波融輝置業有限公司	Joint venture of the Group
Zhangjiagang Dongjun Real Estate Development Co., Ltd. 張家港東峻房地產開發有限公司	Joint venture of the Group
Zhejiang Xingbaodi Property Development Co., Ltd. 浙江星寶地置業有限公司	Joint venture of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Name and relationship with related parties (continued)**

Name	Relationship
Hangzhou Jufan Enterprise Management Co., Ltd. 杭州聚帆企業管理有限公司	Joint venture of the Group
Hainan Baolong Jinhe Property Development Co., Ltd. 海南寶龍晉合置業有限公司	Joint venture of the Group
Shanghai Zhenqian Enterprise Management Co., Ltd. 上海振茜企業管理有限公司	Joint venture of the Group
Shanghai Rongcheng Property Development Co., Ltd. 上海榮城置業有限公司	Joint venture of the Group
Hangzhou Hongxuan Enterprise Management Consulting Co., Ltd. 杭州鴻煊企業管理諮詢有限公司	Joint venture of the Group
Nanjing Xubao Property Development Co., Ltd. 南京旭寶置業發展有限公司	Joint venture of the Group
Ningbo Shiqin Enterprise Management Consulting Co., Ltd. 寧波世沁企業管理諮詢有限公司	Joint venture of the Group
Tianjin Longhu Ruifeng Property Development Co., Ltd. 天津龍湖睿豐置業有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都綸企業管理有限公司	Associate of the Group
Quanzhou Shimao New Mileage Property Development Co., Ltd. 泉州世茂新里程置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Property Development Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驥實業有限公司	Associate of the Group
Tianjin Hongyao Decoration Engineering Co., Ltd. 天津宏耀裝修工程有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group
Quanzhou Shimao Shiyue Property Development Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group
Zhejiang Zhoushan Zhongzhou Property Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Property Development Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Name and relationship with related parties (continued)**

Name	Relationship
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group
Zhejiang Lancheng Hongyi Youdao Construction Management Co., Ltd. 浙江藍城宏逸有道建設管理有限公司	Associate of the Group
Shaoxing Keqiao Juhang Real Estate Development Co., Ltd. 紹興柯橋聚杭房地產開發有限公司	Associate of the Group
Hangzhou Juyou Enterprise Management Co., Ltd. 杭州聚佑企業管理有限責任公司	Associate of the Group
Yiwu Juli Real Estate Development Co., Ltd. 義烏聚厲房地產開發有限公司	Associate of the Group
Zhoushan Juyou Real Estate Development Co., Ltd. 舟山聚佑房地產開發有限公司	Associate of the Group
Shanghai Taoxia Enterprise Management Co., Ltd. 上海濤峽企業管理有限公司	Associate of the Group
Zhejiang Huzhou Baohui Real Estate Development Co., Ltd. 浙江湖州寶輝房地產開發有限公司	Associate of the Group
Hangzhou Jiayi Property Development Co., Ltd. 杭州嘉怡置業有限公司	Associate of the Group
Tiantai Maolong Real Estate Development Co., Ltd. 天台茂龍房地產開發有限公司	Associate of the Group
Yancheng Shenghua Jingfu Property Development Co., Ltd. 鹽城聖樺京府置業有限公司	Associate of the Group
Ningbo Hejiang Property Development Co., Ltd. 寧波市赫江置業有限公司	Associate of the Group
Wenzhou Zhongjiao Lianghui Property Development Co., Ltd. 溫州中交梁輝置業有限公司	Associate of the Group
Nanjing Longhe Property Development Co., Ltd. 南京龍合置業發展有限公司	Associate of the Group
Hangzhou Juna Industrial Development Co., Ltd. 杭州聚納實業發展有限公司	Associate of the Group
Hangzhou Tianyu Property Development Co., Ltd. 杭州天諭置業有限公司	Associate of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

- (i) During the years ended 31 December 2020 and 2019, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Nature of transactions		
The Controlling Shareholders		
Sales of properties	–	973
Loan interests (Note 38(d)(iv))	17,788	17,075
Controlled by the ultimate controlling shareholder		
Rental income	4,321	3,412
Purchase of office equipment and security intelligentisation system services from related parties	33,479	46,297
Hotel accommodation service fee charged by a related party	14	5,589
Significantly influenced by the Controlling Shareholder		
Purchase of digitalisation services	22,653	–
Joint ventures		
Sales of construction materials to joint ventures	21,710	15,277
Interest income from joint ventures	76,232	120,957
Consultation services provided to joint ventures	161,844	45,686
Purchase of information technology services	12,906	–
Associates		
Sales of construction materials to associates	2,415	1,818
Consultation services provided to associates	120,247	9,933

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,394,430,000 as at 31 December 2020 (31 December 2019: RMB1,126,615,000) (Note 36).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB5,612,354,000 as at 31 December 2020 (31 December 2019: RMB3,450,000,000) (Note 23).
- (iv) Certain bank deposits of the Group of RMB150,000,000 has been pledged for the commercial properties development of its joint venture (31 December 2019: RMB100,000,000).
- (v) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Key management compensation**

Key management compensation is set out below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Key management compensation		
– Salaries and other employee benefits	21,141	20,925
– Pension costs	1,704	1,741
	22,845	22,666

(d) Balances with related parties

As at 31 December 2020, the Group had the following material balances with related parties:

	31 December	
	2020 RMB'000	2019 RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Joint ventures	25,681	12,568
Associates	15,861	–
	41,542	12,568
Amounts due from related parties included in other receivables (Note (ii)):		
Controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	4,058,535	4,577,821
Associates	3,131,782	2,809,036
	7,211,693	7,408,233
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	16,315	18,658
Significantly influenced by the Controlling Shareholder	8,871	–
Joint ventures	614	15,287
	25,800	33,945
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	2,310,226	388,297
The Controlling Shareholders	–	7,719
Joint ventures	5,654,953	4,127,150
Associates	3,021,131	1,433,070
	10,986,310	5,956,236
Borrowings (Note (iv)):		
The Controlling Shareholders	–	179,362

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(d) Balances with related parties (continued)**

	31 December	
	2020 RMB'000	2019 RMB'000
Amounts due to related parties included in contract liabilities (Note (v)):		
The Controlling Shareholders	10,966	10,840
Joint ventures	41,073	3,633
Associates	22,170	15,448
	74,209	29,921
Prepayments:		
Joint ventures	–	3,120

- (i) Amounts due from joint ventures and associates included in trade receivables are mainly derived from consulting services provided to joint ventures and associates.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest bearing (Note 12), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) The balance represented the senior notes purchased by Mr. Hoi Wa Fong and was fully redeemed on 30 December 2020.
- (v) Amounts due to related parties included in contract liabilities mainly consist of advances paid for purchase of properties and consulting services.

39 CAPITAL INJECTION FROM NON-CONTROLLING INTERESTS

During the year ended 31 December 2020, the Group and certain independent third parties entered into certain cooperation agreements in relation to the establishment of property development companies. These property development companies are accounted for as subsidiaries of the Group, and capital contribution from the minority interest amounted to approximately RMB6,296,843,000.

The capital injection from minority interest of Powerlong CM amounted to RMB415,961,000, please refer to Note 21(e) for the detailed information.

40 CHANGE FROM JOINT VENTURE TO SUBSIDIARY

On 1 January 2020, the joint venture partner of Taizhou Powerlong Real Estate Co.,Ltd. (“Taizhou Powerlong”) has transferred the controlling rights of the jointly controlled project to the Group. The investment in Taizhou Powerlong is deemed as having been disposed of, and was remeasured to fair value at the date of deemed disposal, the resulting gains of RMB37,919,000 from the remeasurement are recognised in the profit or loss in accordance with HKFRS 3 – Business Combinations.

Details of the purchase consideration, the net asset acquired and goodwill are as follows:

	Total RMB'000
Total Consideration	
Carrying amounts of the Group’s investments in respective entity	210,065
Fair value gains on the remeasurement of respective entity	37,919
Fair value of the investments in respective entity	<u>247,984</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	144,267
Properties under development	1,636,220
Prepaid taxes	34,689
Prepayments	20,000
Property and equipment	33
Trade and other payables	(551,107)
Contract liabilities	(587,748)
Borrowings	(232,500)
Deferred income tax liabilities	(50,548)
Total identifiable net assets	<u>413,306</u>
Non-controlling interests	(165,322)
Identifiable net assets attributable to the Company	<u>247,984</u>
Goodwill	<u>–</u>

The acquired business contributed revenue of RMB1,157,527,000 and net profit of RMB144,648,000 to the Group for the period from the acquisition date to 31 December 2020.

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2020 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寶龍地產(香港)控股有限公司 Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 05 July 2007	Limited liability Company	HK\$1	100%	–	Investment holding in Hong Kong
寶龍置地發展有限公司 Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability Company	HK\$100	82%	18%	Investment holding in Hong Kong
洪誠企業管理(香港)有限公司 Hongcheng Enterprise Management (Hong Kong) Limited	Hong Kong 15 July 2019	Limited liability company	HK\$100	100%	–	Investment holding in Hong Kong
鵬輝企業管理(香港)有限公司 Pengye Enterprise Management (Hong Kong) Limited	Hong Kong 01 August 2019	Limited liability company	HK\$100	100%	–	Investment holding in Hong Kong
紹興聚嶸置業有限公司 Shaoxing Jurong Property Development Co., Ltd. (Note (b))	the PRC 29 April 2020	Limited liability company	RMB450,000,000	35%	65%	Property development and property investment in the PRC
珠海鵬灣置業有限公司 Zhuhai Pengwan Property Development Co., Ltd. (Note (b))	the PRC 08 January 2020	Limited liability company	RMB50,000,000	45%	55%	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Co., Ltd.	the PRC 03 March 2006	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development, property investment and hotel operation in the PRC
寶龍星創實業(杭州)有限公司 Powerlong Xingchuang Industrial (Hangzhou) Co., Ltd. (Note (a))	the PRC 21 June 2016	Limited liability company	US\$149,424,383	42%	58%	Property development and property investment in the PRC
珠海寶龍置業有限公司 Zhuhai Powerlong Property Development Co., Ltd.	the PRC 21 November 2019	Limited liability company	RMB10,000,000	90%	10%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Property Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	RMB293,833,329	100%	–	Property development, property investment and hotel operation in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development, property investment and hotel operation in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd.	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development, property investment and hotel operation in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd.	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
宜興寶明房地產開發有限公司 Yixing Baoming Real Estate Development Co., Ltd. (Note (a))	the PRC 11 October 2019	Limited liability company	RMB200,000,000	48%	52%	Property development and property investment in the PRC
台州璟懿實業有限公司 Taizhou Jingyi Industrial Co., Ltd.	the PRC 29 July 2019	Limited liability company	RMB50,000,000	78%	22%	Property development and property investment in the PRC
上海聚凱企業管理有限公司 Shanghai Jukai Enterprise Management Co., Ltd.	the PRC 10 July 2018	Limited liability company	RMB1,000,000,000	95%	5%	Investment holding in the PRC
上海洪誠實業發展(集團)有限公司 Shanghai Hongcheng Industry Development (Group) Co., Ltd.	the PRC 17 October 2018	Limited liability company	RMB1,200,000,000	95%	5%	Investment holding in the PRC
福鼎寶龍英聚房地產有限公司 Fuding Powerlong Yingju Real Estate Development Co., Ltd.	the PRC 10 September 2018	Limited liability company	RMB100,000,000	52%	48%	Property development and property investment in the PRC
溫州寶信房地產開發有限公司 Wenzhou Baoxin Real Estate Development Co., Ltd.	the PRC 06 July 2018	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
常州寶龍置業發展有限公司 Changzhou Powerlong Property Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Co., Ltd.	the PRC 10 December 2007	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
福州寶龍貿易有限公司 Fuzhou Powerlong Trading Co., Ltd.	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd.	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州龍耀實業有限公司 Hangzhou Longyao Industrial Co., Ltd.	the PRC 03 August 2017	Limited liability company	US\$103,950,000	82%	18%	Property development and property investment in the PRC
寧波寶龍華隅置業發展有限公司 Ningbo Baolong Huayu Property Development Co., Ltd.	the PRC 13 June 2018	Limited liability company	RMB500,000,000	82%	18%	Property development and property investment in the PRC
紹興豪湖房地產開發有限公司 Shaoxing Haohu Real Estate Development Co., Ltd. (Note (a))	the PRC 25 October 2017	Limited liability company	RMB20,000,000	42%	58%	Property development and property investment in the PRC
上海寶龍芳駿房地產開發有限公司 Shanghai Powerlong Fangjun Real Estate Development Co., Ltd.	the PRC 02 November 2016	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
淮安德百信置業有限公司 Huaian Debaixin Property Development Co., Ltd.	the PRC 08 January 2010	Limited liability company	RMB281,600,000	100%	–	Property development and property investment in the PRC
廈門寶龍地產管理有限公司 Xiamen Powerlong Real Estate Management Co., Ltd.	the PRC 16 October 2007	Limited liability company	RMB4,338,000	100%	–	Investment holding in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd.	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Property Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development, property investment and hotel operation in the PRC
寧波奉化寶龍華祥置業有限公司 Ningbo Fenghua Powerlong Huaxiang Property Development Co., Ltd.	the PRC 19 December 2017	Limited liability company	RMB50,000,000	82%	18%	Property development and property investment in the PRC
上海煦新企業管理有限公司 Shanghai Xuxin Enterprise Management Co., Ltd.	the PRC 26 September 2014	Limited liability company	RMB1,000,000	71%	29%	Property management in the PRC
上海寶謙商業經營管理有限公司 Shanghai Baoqian Commercial Management Co., Ltd.	the PRC 13 November 2014	Limited liability company	RMB1,000,000	71%	29%	Property management in the PRC
長影粵海(海南)房地產開發有限公司 Changying Yuehai (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 03 April 2014	Limited liability company	RMB50,000,000	38%	62%	Property development and property investment in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	US\$3,000,000	71%	29%	Investment holding in the PRC
義烏龍瑞房地產開發有限公司 Yiwu Longrui Real Estate Development Co., Ltd.	the PRC 21 November 2018	Limited liability company	RMB10,000,000	65%	35%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
浙江寶龍星匯企業管理有限公司 Zhejiang Powerlong Xinghui Enterprise Management Co., Ltd.	the PRC 12 October 2018	Limited liability company	RMB1,000,000,000	78%	22%	Investment holding in the PRC
上海寶龍實業發展(集團)有限公司 Shanghai Powerlong Industrial Development (Group) Co., Ltd. ("Shanghai Powerlong")	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	-	Investment holding in the PRC
寧波遠大實業投資有限公司 Ningbo Yuanda Industrial Investment Co., Ltd.	the PRC 23 August 2011	Limited liability company	RMB200,000,000	90%	10%	Property development and property investment in the PRC
諸暨潤龍置業有限公司 Zhuji Runlong Property Development Co., Ltd.	the PRC 31 August 2018	Limited liability company	RMB809,230,000	97%	3%	Property development and property investment in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	-	Investment holding in the PRC
上海寶龍商業地產管理有限公司 Shanghai Powerlong Commercial Real Estate Management Co., Ltd.	the PRC 29 June 2007	Limited liability company	RMB5,000,000	71%	29%	Investment holding in the PRC
長影椰海(海南)房地產開發有限公司 Changying Yehai (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 02 April 2014	Limited liability company	RMB1,000,000	38%	62%	Property development and property investment in the PRC
南京寶龍康浚置業發展有限公司 Nanjing Powerlong Kangjun Property Development Co., Ltd.	the PRC 07 November 2017	Limited liability company	US\$50,000,000	82%	18%	Property development and property investment in the PRC
鹽城御龍置業有限公司 Yancheng Yulong Property Development Co., Ltd.	the PRC 21 May 2018	Limited liability company	RMB50,000,000	65%	35%	Property development and property investment in the PRC
常熟寶龍房地產開發有限公司 Changshu Powerlong Real Estate Development Co., Ltd.	the PRC 27 July 2018	Limited liability company	RMB50,000,000	95%	5%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寧波奉化寶龍華和置業有限公司 Ningbo Fenghua Powerlong Huahe Property Development Co., Ltd.	the PRC 10 August 2018	Limited liability company	RMB50,000,000	78%	22%	Property development and property investment in the PRC
漳州寶龍英聚房地產有限公司 Zhangzhou Powerlong Yingju Real Estate Co., Ltd.	the PRC 16 July 2018	Limited liability company	RMB100,000,000	66%	34%	Property development and property investment in the PRC
永康中梁寶龍置業有限公司 Yongkang Zhongliang Property Development Co., Ltd. (Note (b))	the PRC 19 March 2018	Limited liability company	RMB50,000,000	29%	71%	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司 寶龍艾美酒店 Powerlong Le Méridien Hotel	the PRC 14 April 2016	Limited liability company	–	100%	–	Hotel operation in the PRC
泰州寶龍房地產有限公司 Taizhou Powerlong Real Estate Co., Ltd. (Note (b))	the PRC 14 January 2019	Limited liability company	RMB370,000,000	47%	53%	Property development and property investment in the PRC
無錫嘉御置業有限公司 Wuxi Jiayu Property Development Co., Ltd.	the PRC 01 November 2017	Limited liability company	RMB200,000,000	67%	33%	Property development and property investment in the PRC

Notes:

- The Group indirectly hold the equity interest in these companies through layers of holding structures and the Group has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.
- The Group has controlled these entities through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decisions on key business and financing policies of these entities.
- The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY**Balance sheet of the Company**

	Note	31 December	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		6,306,863	6,306,863
Current assets			
Amounts due from subsidiaries		18,559,207	15,118,449
Financial assets at fair value through profit or loss		1,014	–
Restricted cash		84,164	1,051,123
Cash and cash equivalents		1,115,432	1,886,188
		19,759,817	18,055,760
Total assets		26,066,680	24,362,623
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		36,795	719,088
Retained earnings/(accumulated losses)	(a)	113,950	(309,977)
Total equity		150,745	409,111
LIABILITIES			
Non-current liabilities			
Borrowings		13,111,503	12,751,485
Current liabilities			
Borrowings		7,737,726	6,713,161
Other payables and accruals		1,644,808	949,957
Amounts due to subsidiaries		3,421,898	3,538,909
		12,804,432	11,202,027
Total liabilities		25,915,935	23,953,512
Total equity and liabilities		26,066,680	24,362,623

The balance sheet of the Company was approved by the Board of Directors on 2 March 2021 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Retained earnings/ (accumulated losses) RMB'000
At 1 January 2019	(275,269)
Loss for the year	(34,708)
As at 31 December 2019	(309,977)
At 1 January 2020	(309,977)
Profit for the year	1,365,907
Dividends	(941,980)
As at 31 December 2020	113,950

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2020 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Discretionary Bonuses RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors						
Mr. Hoi Kin Hong	1,080	144	–	240	–	1,464
Mr. Hoi Wa Fong	600	144	15	480	–	1,239
Mr. Xiao Qing Ping	720	144	32	240	114	1,250
Ms. Shih Sze Ni Cecilia	600	–	12	240	–	852
Mr. Zhang Hong Feng	720	144	107	240	40	1,251
Non-executive directors						
Ms. Hoi Wa Fan	–	–	–	308	–	308
Independent non-executive directors						
Mr. Ngai Wai Fung	–	–	–	250	–	250
Mr. Mei Jian Ping	–	–	–	250	–	250
Mr. Ding Zu Yu	–	–	–	250	–	250
	3,720	576	166	2,498	154	7,114

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2019 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Discretionary Bonuses RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors						
Mr. Hoi Kin Hong	936	144	–	290	–	1,370
Mr. Hoi Wa Fong	716	144	16	290	–	1,166
Mr. Xiao Qing Ping	576	144	29	290	114	1,153
Ms. Shih Sze Ni Cecilia	610	–	16	290	–	916
Mr. Zhang Hong Feng	576	144	101	290	40	1,151
Non-executive directors						
Ms. Hoi Wa Fan	–	–	–	160	–	160
Independent non-executive directors						
Mr. Ngai Wai Fung	–	–	–	270	–	270
Mr. Mei Jian Ping	–	–	–	270	–	270
Mr. Ding Zu Yu	–	–	–	270	–	270
	3,414	576	162	2,420	154	6,726

Notes:

- i) Emoluments above include estimated money value of non-cash benefits: car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2020 (2019: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2020, the Group did not pay consideration to any third parties for making available directors' services (2019: nil).

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount payable	Outstanding/ aggregate outstanding amounts	Outstanding/ aggregate outstanding amounts	Maximum outstanding during the year	Amounts/ aggregate amounts fallen due but not been paid	Provisions/ aggregate provisions for doubtful/ bad debts made	Term	Interest rate
			at the beginning of the year	at the end of the year		RMB'000	RMB'000		
At 31 December 2020									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		
At 31 December 2019									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

44 EVENTS AFTER THE BALANCE SHEET DATE

- On 11 January 2021, the Company issued 5.95%, 4-year senior notes, with an aggregated principal amount of US\$100,000,000 at 102.66% to the principal amount. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US\$101,856,000 (equivalent to approximately RMB659,660,000).
- On 11 January 2021, Shanghai Powerlong issued 6.60%, five-year corporate bonds with an aggregate principal amount of RMB1,000,000,000 at 100.00% of the face value.
- On 25 January 2021, Shanghai Powerlong issued 5.70%, 270 days short-term commercial paper with an aggregate principal amount of RMB440,000,000 at 100.00% of the face value.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021



To the Shareholders of Powerlong Real Estate Holdings Limited

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 84 to 190, which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 ("HKSAAs") 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 Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p>Refer to Notes 4(d) and 7 to the consolidated financial statements.</p> <p>The Group's investment properties are stated at fair value. As at 31 December 2021, the Group's investment properties amounted to RMB78.3 billion, which represents 32% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2021 amounted to RMB1.7 billion.</p> <p>Independent external valuations were obtained for certain of the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key estimates and assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete.</p> <p>We paid significant attention to this area due to the material balance and fair value gain of investment properties to the Group's consolidated financial statements and the estimation of the valuations of investment properties subject to high degree of estimation uncertainty. The inherent risk in relation to this area is considered significant due to critical judgement involved in determining the critical estimates and assumptions used in the valuations.</p>	<p>Our procedures in relation to management's valuation of investment properties included:</p> <p>(i) We obtained an understanding of the management's internal control and assessment process of the valuations of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</p> <p>(ii) We evaluated the competence, capabilities and objectivity of the independent external valuer;</p> <p>(iii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key estimates and assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We compared the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions;</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>(iv) We checked the accuracy and relevance of the input data used in the valuations; and</p> <p>(v) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date.</p> <p>We found the key estimates and assumptions used in the valuation of investment properties were supported by the available evidences.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Mr. Leung Man Kin with Practising Certificate number P07174.

Elite Partners CPA Limited

Certified Public Accountants

10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

Hong Kong,
29 April 2022

CONSOLIDATED BALANCE SHEET

		31 December	
		2021	2020
		RMB'000	RMB'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment	6	6,228,971	5,221,769
Investment properties	7	78,329,755	58,243,338
Intangible assets		4,859	5,420
Goodwill		20,640	20,640
Investments accounted for using the equity method	16	9,769,743	7,642,200
Deferred income tax assets	24	1,109,849	800,680
Financial assets at fair value through profit or loss	14	558	313
Financial assets at fair value through other comprehensive income	15	299,081	439,057
Prepayments	13	571,656	1,269,164
Trade receivables	11	222,781	–
		96,557,893	73,642,581
Current assets			
Properties under development	9	70,865,579	48,719,297
Completed properties held for sale	10	16,833,381	14,589,666
Contract assets		557,363	406,338
Trade receivables	11	3,009,089	2,163,838
Other receivables	12	24,181,964	16,027,938
Prepayments	13	6,381,782	10,131,446
Prepaid taxes		1,411,024	865,430
Financial assets at fair value through profit or loss	14	189,924	308,983
Restricted cash	18	5,661,262	2,937,270
Cash and bank balances	19	19,407,192	25,338,726
		148,498,560	121,488,932
Total assets		245,056,453	195,131,513
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	36,779	36,795
Other reserves	21	1,808,496	1,582,187
Retained earnings		38,848,385	34,601,884
		40,693,660	36,220,866
Perpetual capital instruments	22	519,781	519,781
Non-controlling interests		21,194,011	15,060,519
Total equity		62,407,452	51,801,166

		31 December	
		2021	2020
		RMB'000	RMB'000
	Notes		
LIABILITIES			
Non-current liabilities			
Borrowings	23	50,934,930	45,899,678
Lease liabilities	8	2,349,586	675,920
Other payables	25	137,115	182,167
Deferred income tax liabilities	24	8,472,243	7,242,444
		61,893,874	54,000,209
Current liabilities			
Borrowings	23	22,022,693	20,667,678
Trade and other payables	25	46,378,690	35,229,517
Contract liabilities	26	38,925,437	22,757,332
Current income tax liabilities	27	13,238,405	10,462,611
Lease liabilities	8	189,902	213,000
		120,755,127	89,330,138
Total liabilities		182,649,001	143,330,347
Total equity and liabilities		245,056,453	195,131,513

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 84 to 190 were approved and authorised for issue by the Board of Directors on 29 April 2022 and were signed on its behalf by:

Hoi Kin Hong
Director

Hoi Wa Fong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	39,902,461	35,495,300
Cost of sales	28	(27,383,411)	(22,679,514)
Gross profit		12,519,050	12,815,786
Fair value gains on investment properties – net	7	1,710,955	2,095,764
Selling and marketing costs	28	(1,392,470)	(1,096,220)
Administrative expenses	28	(1,911,870)	(1,545,590)
Impairment losses on financial assets – net		(241,415)	(150,002)
Other income and gains – net	30	1,390,342	184,226
Operating profit		12,074,592	12,303,964
Finance (costs)/income – net	31	(434,718)	312,433
Share of results of investments accounted for using the equity method	16	507,903	666,990
Profit before income tax		12,147,777	13,283,387
Income tax expense	32	(4,811,652)	(4,468,037)
Profit for the year		7,336,125	8,815,350
Other comprehensive (expense)/income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences	21	(5,556)	(16,027)
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation gains on property and equipment transferred to investment properties, net of tax	21	–	92,203
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21	(134,231)	42,688
Total other comprehensive income for the year, net of tax		(139,787)	118,864
Total comprehensive income for the year		7,196,338	8,934,214
Profit attributable to:			
Owners of the Company		5,992,099	6,093,216
Holders of perpetual capital instruments		38,000	50,979
Non-controlling interests		1,306,026	2,671,155
		7,336,125	8,815,350
Total comprehensive income attributable to:			
Owners of the Company		5,852,312	6,212,080
Holders of perpetual capital instruments		38,000	50,979
Non-controlling interests		1,306,026	2,671,155
		7,196,338	8,934,214
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	33		
– Basic		144.7	147.1
– Diluted		144.7	147.1

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Holders of perpetual capital instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2021							
Balance at 1 January 2021	36,795	1,582,187	34,601,884	36,220,866	519,781	15,060,519	51,801,166
Comprehensive income:							
Profit for the year	-	-	5,992,099	5,992,099	38,000	1,306,026	7,336,125
Other comprehensive expense for the year							
– Changes in the fair value of financial assets at fair value through other comprehensive income	-	(134,231)	-	(134,231)	-	-	(134,231)
– Currency translation differences	-	(5,556)	-	(5,556)	-	-	(5,556)
Total comprehensive income for the year	-	(139,787)	5,992,099	5,852,312	38,000	1,306,026	7,196,338
Transactions with owners:							
– Dividends	-	-	(1,745,596)	(1,745,596)	-	(78,388)	(1,823,984)
– Shares repurchased and cancelled	(16)	(10,925)	-	(10,941)	-	-	(10,941)
– Changes in ownership interests in subsidiaries without change of control	-	337,730	-	337,730	-	(353,211)	(15,481)
– Share award scheme – value of employee service	-	39,291	-	39,291	-	15,957	55,248
– Capital injection from non-controlling interests (Note 39)	-	-	-	-	-	4,541,846	4,541,846
– Capital withdrawal by non-controlling interests	-	-	-	-	-	(393,406)	(393,406)
– Change from joint ventures to subsidiaries (Note 40)	-	-	-	-	-	1,094,666	1,094,666
– Distribution to holders of perpetual capital instrument	-	-	-	-	(38,000)	-	(38,000)
Total transactions with owners	(16)	366,096	(1,745,596)	(1,379,516)	(38,000)	4,827,464	3,409,948
Balance at 31 December 2021	36,779	1,808,496	38,848,387	40,693,662	519,781	21,194,009	62,407,452

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Holders of perpetual capital instruments	Non-controlling interests	Total equity
	Share capital and share premium	Other reserves	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 20)	(Note 21)			(Note 22)		
Year ended 31 December 2020							
Balance at 1 January 2020	719,088	1,669,289	29,451,835	31,840,212	820,364	6,246,452	38,907,028
Comprehensive income:							
Profit for the year	–	–	6,093,216	6,093,216	50,979	2,671,155	8,815,350
Other comprehensive income/(expense) for the year							
– Changes in the fair value of financial assets at fair value through other comprehensive income	–	42,688	–	42,688	–	–	42,688
– Revaluation gains on property and equipment transferred to investment properties	–	92,203	–	92,203	–	–	92,203
– Currency translation differences	–	(16,027)	–	(16,027)	–	–	(16,027)
Total comprehensive income for the year	–	118,864	6,093,216	6,212,080	50,979	2,671,155	8,934,214
Transactions with owners:							
– Dividends	(676,749)	–	(941,980)	(1,618,729)	–	(45,586)	(1,664,315)
– Shares repurchased and cancelled	(5,544)	–	–	(5,544)	–	–	(5,544)
– Share award scheme – value of employee service	–	13,097	–	13,097	–	5,319	18,416
– Capital injection from non-controlling interests	–	297,775	–	297,775	–	6,415,029	6,712,804
– Changes from joint ventures to subsidiaries	–	–	–	–	–	165,322	165,322
– Acquisition of a subsidiary	–	–	–	–	–	10,662	10,662
– Disposal of a subsidiary	–	–	–	–	–	(21,450)	(21,450)
– Capital withdrawn by non-controlling interests	–	–	–	–	–	(80,293)	(80,293)
– Changes in ownership interests in subsidiaries without change of control	–	(518,025)	–	(518,025)	–	(306,091)	(824,116)
– Redemption of perpetual capital instruments	–	–	–	–	(300,000)	–	(300,000)
– Distribution to holders of perpetual capital instruments	–	–	–	–	(51,562)	–	(51,562)
Total transactions with owners	(682,293)	(207,153)	(941,980)	(1,831,426)	(351,562)	6,142,912	3,959,924
Appropriation to statutory reserves	–	1,187	(1,187)	–	–	–	–
Balance at 31 December 2020	36,795	1,582,187	34,601,884	36,220,866	519,781	15,060,519	51,801,166

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35	10,006,594	(5,708,148)
PRC corporate income tax paid		(2,192,096)	(1,130,610)
PRC land appreciation tax paid		(1,135,302)	(1,078,574)
Interest paid		(4,736,098)	(4,095,819)
Cash generated from/(used in) operating activities		1,943,098	(12,013,151)
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries	40	1,489,303	144,267
Net cash inflow in acquisition of a subsidiary		–	56
Net cash outflow in disposal of a subsidiary		–	(7,447)
Purchases of property and equipment		(460,050)	(383,990)
Purchases of right-of-use assets		(698,396)	(308,452)
Payments of construction fee and land use right of investment properties		(11,115,961)	(4,710,959)
Proceeds from disposal of property and equipment		10,219	9,394
Proceeds from disposal of investment properties		(1,617)	5,436
Purchases of financial assets at fair value through profit or loss		(62,000)	(88,504)
Proceeds from disposal of financial assets at fair value through profit or loss		103,479	–
Proceeds from disposal of joint ventures		653,558	–
Purchases of financial assets at fair value through other comprehensive income		(39,000)	–
Dividend received		–	332,278
Investments in joint ventures and associates		(2,878,235)	(2,179,761)
Cash advances made to joint ventures, associates and non-controlling interests		(12,011,591)	(6,169,513)
Collection of cash advances from joint ventures, associates and non-controlling interests		4,734,161	7,657,080
Interest received		512,957	462,101
Increase in bank deposits		(1,450,000)	–
Increase in other bank deposits with initial term of over three months and within one year		(1,650,000)	–
Cash used in investing activities		(22,863,173)	(5,238,014)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
	Notes		
Cash flows from financing activities			
Proceeds from borrowings		37,458,685	38,638,283
Repayments of borrowings		(32,493,168)	(26,524,943)
Restricted cash released from borrowings		896,370	1,151,042
Cash advances from parties controlled by ultimate controlling shareholders		1,488,834	1,914,212
Cash advances from joint ventures, associates and non-controlling interests		8,819,445	7,978,685
Repayment of cash advances to parties controlled by ultimate controlling interests		(671,937)	–
Repayments of cash advances to joint ventures, associates and non-controlling interests		(2,675,331)	(4,492,209)
Capital contribution from non-controlling interests		4,541,846	6,712,804
Changes in ownership interests in subsidiaries without change of control		(15,481)	(824,116)
Dividends paid		(1,972,864)	(1,664,315)
Distribution to holders of perpetual capital instruments		(38,000)	(51,562)
Redemption of perpetual capital instruments		–	(300,000)
Payment on repurchase and cancellation of shares		(10,941)	(5,544)
Principal elements and interest expenses of lease payments		(226,188)	(171,753)
Cash generated from financing activities		15,101,270	22,360,584
Net (decrease)/increase in cash and cash equivalents		(5,818,805)	5,109,419
Cash and cash equivalents at beginning of the year	19	25,338,726	20,305,545
Exchange losses on cash and cash equivalents		(112,729)	(76,238)
Cash and cash equivalents at end of the year	19	19,407,192	25,338,726

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together, the “Group”) is principally engaged in property development, property investment, provision of commercial operational services, provision of residential property management services and other property development related services in the People’s Republic of China (the “PRC”).

The ultimate holding company of the Company is Skylong Holdings Limited and the ultimate controlling shareholder of the Company is Mr. Hoi Kin Hong.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 14 October 2009.

These consolidated financial statements are presented in thousand Renminbi (“RMB’000”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

- (i) *Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and HKCO*
The consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.
- (ii) *Historical cost convention*
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iii) *Going concern basis*

As of 31 December 2021, the Group recorded a net current assets of RMB27,743.4 million, and the Group's current portion of borrowings amounted to RMB22,022.7 million, while its cash and bank balances (excluding restricted cash) amounted to RMB19,407.2 million. In view of the prevailing slow-down of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

In view of aforesaid mentioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group is actively negotiating with several existing financial institutions on the renewal of certain borrowings. Subsequent to 31 December 2021, the Group has also been negotiating with various banks and financial institutions to secure new sources of financing.
- (ii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables.
- (iii) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iii) *Going concern basis (continued)*

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the successful renewal of certain borrowings, and the successful obtaining of additional new sources of financing as and when needed; and
- (ii) the successful and timely implementation of the plans to accelerate the pre-sales and sales of its properties under development and completed properties, speed up the collection of outstanding sales proceeds and other receivables, and control costs and control capital expenditures so as to generate adequate net cash inflows.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(iv) *Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(v) *New and amendments to HKFRSs in issue but not yet effective*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the 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 HKFRSs 2018–2020	1 January 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	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 of the Company are in the process of assessing the potential impact of the new and amendments to HKFRSs but are not yet in a position to determine whether the new and amendments to HKFRSs will have a material impact on the Group's performance and financial position and on the disclosures. The new and amended HKFRSs may result in changes to how the Group's performance and financial position are prepared and presented in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, 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.

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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

- (b) 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 in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.
- (c) 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 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 after initially being recognised at cost. 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 investment in associates includes 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 the 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 to 'share of results of investments accounted for using the equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate 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 the consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has 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 identifiable assets and liabilities of the joint venture 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 that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates 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 are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'Finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other income and gains – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of 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 balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives as follows:

Buildings	20-40 years
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 years
Right-of-use assets	2-70 years

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land and commercial buildings held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the 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 the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property 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 treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2.1(a). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the expected life of 10 years for the customer relationship.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) Debt instruments

Initial recognition and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. There are three categories into which the Group classifies its debt instruments:

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as and measured at amortised cost. A gain or loss on a debt investment measured at amortised cost which is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest method.
- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are classified as and measured at FVOCI. Movements in the carrying amount of these financial assets are taken through other comprehensive income, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Other income and gains – net" in the consolidated income statement. Interest income from these financial assets is recognised using the effective interest method. Foreign exchange gains and losses are presented in "Finance (costs)/income – net" and impairment losses or reversals are presented in "Other income and gains – net".
- **FVPL:** Financial assets that do not meet the criteria for amortised cost or FVOCI are classified as and measured at fair value through profit or loss. A gain or loss on a debt investment measured at fair value through profit or loss which is not part of a hedging relationship is recognised in profit or loss and presented in "Other income and gains – net" for the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition, derecognition and measurement (continued)

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised as 'Other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 11 for further details.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond a normal operating cycle.

2.14 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.16 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.18 Perpetual Capital Instruments

Perpetual capital instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

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 the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates 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 considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) *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 as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. 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.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share-based payments

Share-based compensation benefits are provided to employees via the employee share incentive scheme.

Share incentive scheme

Equity-settled share-based payment transactions are share-based payment arrangement in which the Group received goods or services as consideration for its own equity instrument. The Group might receive goods or services but have no obligation to settle the transaction with the supplier, as the settlement will be made by a shareholder or another group entity, this transaction is also equity-settled share-based payment transaction.

For an equity-settled share-based payment transaction, the fair value of equity instrument granted is recognised as an employee benefits expense with a corresponding increase in equity.

During the vesting periods, the Group revises its estimates of the number of award shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to employee share-based compensation expense in the current year, with a corresponding adjustment to the employee share-based capital reserve.

2.24 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of properties*

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) *Investment and operation of commercial properties*

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(c) *Property management services*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 30 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 31 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.28 Leases

Leases are recognised as a right-of-use asset (included in "Property and equipment" (Note 6) and "Investment properties" (Note 7)) and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

The right-of-use asset which was recognised as investment properties is carried at fair value at each reporting date after initial recognition and others being included in property and equipment is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 7). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 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 reporting period in which the dividends are approved by the owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.31 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) *Market risk*

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2021, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, FVOCI, FVPL, other payables and borrowings, which are denominated in Hong Kong dollar ("HK\$") or US dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Financial assets		
– HK\$	647,212	1,044,122
– US\$	893,811	934,742
	1,541,023	1,978,864
Financial liabilities		
– HK\$	8,039,718	5,221,338
– US\$	16,337,490	14,169,950
	24,377,208	19,391,288

The aggregate net foreign exchange gains recognised in profit or loss were:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net foreign exchange gains included in other income and gains	40,236	42,861
Foreign exchange gains on foreign currency borrowings included in finance costs	595,024	1,205,882
Total net foreign exchange gains recognised in profit before income tax for the year	635,260	1,248,743

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK\$	369,625	208,861
– US\$	772,184	661,760
	1,141,809	870,621
5% weakened in RMB against the relevant currencies		
– HK\$	(369,625)	(208,861)
– US\$	(772,184)	(661,760)
	(1,141,809)	(870,621)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2021, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB32,986,405,000 (2020: RMB27,430,659,000). If interest rates on borrowings at floating rates as at 31 December 2021 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB164,932,000 (2020: RMB137,153,000), most of which would have been capitalised in qualified assets.

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI and financial assets at FVPL held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2021 would increase/decrease by approximately RMB9,496,000 (2020: increase/decrease by approximately RMB15,449,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB11,216,000 higher/lower (2020: RMB16,465,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk*

The Group is exposed to credit risk in relation to its contract assets, trade and other receivables, bank balances and restricted cash. The carrying amounts of contract assets, trade and other receivables, restricted cash and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

For trade receivables and contract assets arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser 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 property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. During the year ended 31 December 2021, the Group recognised impairment losses on trade receivables of RMB82,481,000 (2020: RMB37,491,000). Detailed disclosure of these guarantees is made in Note 36.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables, management makes periodic collective assessments as well as assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of 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 accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days of initial recognition.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the year. The loss allowance provision of trade receivables as at 31 December 2021 and 2020 is set out in Note 11.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) *Credit risk (continued)*

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) Liquidity risk (continued)

	Less than 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 2021					
Borrowings	28,855,202	21,868,755	23,440,691	10,627,364	84,792,012
Trade and other payables (Note (a))	44,811,401	137,115	–	–	44,948,516
Lease liabilities	189,902	86,248	561,403	1,701,935	2,539,488
	73,856,505	22,092,118	24,002,094	12,329,299	132,280,016
At 31 December 2020					
Borrowings	24,010,961	16,549,193	24,557,487	14,718,442	79,836,083
Trade and other payables (Note (a))	34,281,515	118,207	63,960	–	34,463,682
Lease liabilities	221,669	76,449	201,921	896,500	1,396,539
	58,514,145	16,743,849	24,823,368	15,614,942	115,696,304

Note:

(a) It represents payables excluding salaries payables and other tax payables.

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and the principal of borrowings of the joint ventures and associates, which will have contractual cash flows only if the guaranteed purchasers, joint ventures or associates default the repayment (Note 36).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 19) and less guarantee deposits for bank borrowings included in restricted cash (Note 18(b)). Total borrowings comprise senior notes, corporate bonds, commercial mortgage backed securities, assets-backed securities, short-term commercial papers, bank borrowings and other borrowings (Note 23). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2021 and 2020 are as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Total borrowings (Note 23)	72,957,623	66,567,356
Less: cash and cash equivalents (Note 19)	(19,407,192)	(25,338,726)
Less: guarantee deposits for bank borrowings (Note 18(b))	(608,420)	(1,504,790)
Net debt	52,942,011	39,723,840
Total equity	62,407,452	51,801,166
Total capital	115,349,463	91,525,006
Gearing ratio	45.9%	43.4%

The increase in the gearing ratio during 2021 resulted primarily from the issuance of senior notes and bank and other borrowing.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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 that are measured at fair value at 31 December 2021 and 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2021				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	11,589	116,335	62,558	190,482
Financial assets at fair value through other comprehensive income (Note 15)	–	–	299,081	299,081
Total	11,589	116,335	361,639	489,563
At 31 December 2020				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	46,396	262,587	313	309,296
Financial assets at fair value through other comprehensive income (Note 15)	–	–	439,057	439,057
Total	46,396	262,587	439,370	748,353

There were no transfers between levels during the year (2020: same).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(a) *Financial instruments in level 1*

As at 31 December 2021, the Group's financial assets at fair value through profit or loss which are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. 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. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) *Financial instruments in level 3*

The fair value of financial instruments included in level 3 is disclosed in Note 15.

The judgements and estimates made in determining the fair value of the Group's non-financial assets that are recognised and measured at fair value (representing the investment properties) have been disclosed in Notes 4(d) and 7.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivables and payables is either close to current market rates or the instruments are short-term in nature.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and 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 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.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income 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 and deferred tax provision in the year in which such determination is made.

Deferred income 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.

(b) PRC land appreciation taxes

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 its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the 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 taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Recoverability of contract assets and trade and other receivables

The management assesses the recoverability of contract assets, and trade and other receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and the impairment charge in the years in which such estimate has been changed.

(d) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.8.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2021 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2021 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers (“CODM”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, commercial operation and residential property management, and other property development related businesses. Other property development related businesses are mainly operations of hotels. As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC and the Group’s consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income from provision of commercial operational services and residential property management services and other property development related businesses. Revenue of the year consists of the following:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Sales of properties	35,034,613	31,485,863
Rental income of investment properties	1,681,437	1,561,769
Income from provision of commercial operational services and residential property management services	2,026,622	1,674,459
Income of other property development related businesses	1,159,789	773,209
	39,902,461	35,495,300

5 SEGMENT INFORMATION (CONTINUED)

- (a) Segment results represent the profit earned by each segment without fair value (losses)/gains on financial assets at fair value through profit or loss, dividend income of financial assets, unallocated operating costs, finance (costs)/income – net and income tax expense. The segment results and other segment items for the year ended 31 December 2021 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Group RMB'000
Gross segment revenue	35,034,613	1,819,437	2,463,996	1,202,075	40,520,121
Inter-segment revenue	–	(138,000)	(437,374)	(42,286)	(617,660)
Revenue	35,034,613	1,681,437	2,026,622	1,159,789	39,902,461
Share of post-tax (losses)/profits of joint ventures	(112,350)	–	1,407	–	(110,943)
Share of post-tax profits/(losses) of associates	634,159	–	–	(15,313)	618,846
Segment results	9,798,927	3,156,784	253,063	123,272	13,332,046
Fair value losses on financial assets at fair value through profit or loss					(77,335)
Unallocated operating costs					(672,216)
Finance cost – net					(434,718)
Profit before income tax					12,147,777
Income tax expense					(4,811,652)
Profit for the year					7,336,125
Amounts included in the measure of segment results:					
Depreciation and amortisation recognised as expenses	57,601	–	5,167	232,338	295,106
Fair value gains/(losses) on investment properties – net (Note 7)	–	1,813,041	(102,086)	–	1,710,955

5 SEGMENT INFORMATION (CONTINUED)

(a) (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2020 are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Group RMB'000
Gross segment revenue	31,485,863	1,667,926	1,921,238	800,204	35,875,231
Inter-segment revenue	–	(106,157)	(246,779)	(26,995)	(379,931)
Revenue	31,485,863	1,561,769	1,674,459	773,209	35,495,300
Share of post-tax profits/(losses) of joint ventures	304,116	–	(3,009)	–	301,107
Share of post-tax profits of associates	365,850	–	–	33	365,883
Segment results	10,386,981	3,226,859	293,011	(174,955)	13,731,896
Fair value gains on financial assets at fair value through profit or loss					12,817
Dividend income of financial assets					1,218
Unallocated operating costs					(774,977)
Finance income – net					312,433
Profit before income tax					13,283,387
Income tax expense					(4,468,037)
Profit for the year					8,815,350
Amounts included in the measure of segment results:					
Depreciation and amortisation recognised as expenses	60,806	–	5,741	212,959	279,506
Fair value gains/(losses) on investment properties – net (Note 7)	–	2,187,227	(91,463)	–	2,095,764

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2021 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	142,843,678	77,432,465	4,877,578	8,977,976	(6,822,467)	227,309,230
Other assets						17,747,223
Total assets						245,056,453
Segment assets include:						
<i>Investments accounted for using the equity method:</i>						
– Interests in joint ventures	4,115,275	–	53,918	–	–	4,169,193
– Interests in associates	5,560,267	–	–	40,283	–	5,600,550
Segment liabilities	71,129,680	2,701,404	2,086,525	6,586,311	(6,822,467)	75,681,453
Other liabilities						106,967,548
Total liabilities						182,649,001
Amounts included in the measure of segment assets:						
Capital expenditure	350,927	14,440,833	53,615	943,104	–	15,788,479

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2020 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Commercial operation and residential property management RMB'000	Other property development related businesses RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	114,108,767	59,670,436	4,461,571	6,850,757	(5,461,981)	179,629,550
Other assets						15,501,963
Total assets						195,131,513
Segment assets include:						
<i>Investments accounted for using the equity method:</i>						
– Interests in joint ventures	4,304,080	–	2,511	–	–	4,306,591
– Interests in associates	3,289,911	–	–	45,698	–	3,335,609
Segment liabilities	43,797,373	1,739,480	2,259,492	4,701,951	(5,461,981)	47,036,315
Other liabilities						96,294,032
Total liabilities						143,330,347
Amounts included in the measure of segment assets:						
Capital expenditure	94,149	3,872,238	509,792	676,954	–	5,153,133

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Segment assets	227,309,230	179,629,550
Other assets		
– Prepaid taxes	1,411,024	865,430
– Deferred income tax assets	1,109,849	800,680
– Unallocated cash and cash equivalents and restricted cash	4,429,896	5,796,947
– Other receivables from related parties (Note 38(d))	10,208,929	7,211,693
– Unallocated property and equipment	52,361	69,308
– Other corporate assets	45,601	9,552
– Financial assets at fair value through other comprehensive income	299,081	439,057
– Financial assets at fair value through profit or loss	190,482	309,296
Total assets	245,056,453	195,131,513

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Segment liabilities	75,681,453	47,036,315
Other liabilities		
– Current income tax liabilities	13,238,405	10,462,611
– Deferred income tax liabilities	8,472,243	7,242,444
– Current borrowings	22,022,693	20,667,678
– Non-current borrowings	50,934,930	45,899,678
– Other payables to related parties (Note 38(d))	11,363,136	10,986,310
– Dividend payables to non-controlling interests	–	148,880
– Other corporate liabilities	936,141	886,431
Total liabilities	182,649,001	143,330,347

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, intangible assets, properties under development, completed properties held for sale, contract assets, receivables and cash and cash equivalents other than prepaid taxes, deferred income tax assets, unallocated cash and cash equivalents and restricted cash, other receivables from related parties, unallocated property and equipment, other corporate assets, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Segment liabilities consist of operating liabilities other than current income tax liabilities, deferred income tax liabilities, current borrowings, non-current borrowings, other payables to related parties, dividend payables to non-controlling interests and other corporate liabilities.

Capital expenditure comprises of additions to property and equipment (Note 6) and investment properties (Note 7).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Right-of use assets RMB'000	Total RMB'000
Year ended 31 December 2021						
Opening net book amount	796,745	2,766,023	9,296	127,733	1,521,972	5,221,769
Additions	589,409	-	899	16,441	698,396	1,305,145
Consolidations of entities previously held as joint ventures (Note 40)	-	-	-	530	-	530
Transfers	(659,437)	659,437	-	-	-	-
Disposals	-	-	(2,285)	(1,643)	-	(3,928)
Depreciation/amortisation charges	-	(204,325)	(4,814)	(15,995)	(69,411)	(294,545)
Closing net book amount	726,717	3,221,135	3,096	127,066	2,150,957	6,228,971
At 31 December 2021						
Cost	726,717	4,435,989	57,428	387,957	2,476,785	8,084,876
Accumulated depreciation/amortisation	-	(1,214,854)	(54,332)	(260,891)	(325,828)	(1,855,905)
Net book amount	726,717	3,221,135	3,096	127,066	2,150,957	6,228,971
Year ended 31 December 2020						
Opening net book amount	743,106	2,905,894	18,686	117,067	1,440,377	5,225,130
Additions	347,856	63,351	1,560	32,398	334,762	779,927
Transfer to investment properties	-	(298,127)	-	-	(198,199)	(496,326)
Consolidations of entities previously held as joint ventures	-	-	-	33	-	33
Acquisition of a subsidiary	-	-	213	89	-	302
Transfers	(294,217)	294,217	-	-	-	-
Disposals	-	(5,241)	(393)	(1,753)	-	(7,387)
Disposals of subsidiaries	-	-	(526)	(65)	-	(591)
Depreciation/amortisation charges	-	(194,071)	(10,244)	(20,036)	(54,968)	(279,319)
Closing net book amount	796,745	2,766,023	9,296	127,733	1,521,972	5,221,769
At 31 December 2020						
Cost	796,745	3,776,552	81,115	399,409	1,778,389	6,832,210
Accumulated depreciation/amortisation	-	(1,010,529)	(71,819)	(271,676)	(256,417)	(1,610,441)
Net book amount	796,745	2,766,023	9,296	127,733	1,521,972	5,221,769

6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation/amortisation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of sales	270,288	215,962
Selling and marketing costs	3,564	3,647
Administrative expenses	20,693	59,710
	294,545	279,319

Right-of-use assets comprise of cost of acquiring rights to use for certain lands, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods (2020: same).

As at 31 December 2021, property and equipment with a net book amount of RMB2,634,522,000 (2020: RMB2,266,167,000) were pledged as collateral for the Group's borrowings (Note 23).

Borrowing costs of RMB101,742,000 (2020: RMB61,509,000) have been capitalised in assets under construction for the year ended 31 December 2021.

The capitalisation rate of borrowings for the year ended 31 December 2021 was 6.17% (2020: 6.34%).

7 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2021			
Opening net book amount	52,519,420	5,723,918	58,243,338
Additions	42,501	14,440,833	14,483,334
Consolidations of entities previously held as joint ventures (Note 40)	2,790,805	619,665	3,410,470
Transfer from completed properties held for sale	483,557	–	483,557
Transfers	5,272,300	(5,272,300)	–
Fair value gains – net	687,692	1,023,263	1,710,955
Disposals	(1,899)	–	(1,899)
At 31 December 2021	61,794,376	16,535,379	78,329,755
Year ended 31 December 2020			
Opening net book amount	46,578,183	4,506,458	51,084,641
Additions	540,434	3,832,772	4,373,206
Acquisition of a subsidiary	73,838	–	73,838
Transfer from property and equipment	496,326	–	496,326
Revaluation gains upon transfer from property and equipment	122,937	–	122,937
Transfers	3,925,704	(3,925,704)	–
Fair value gains – net	785,372	1,310,392	2,095,764
Disposals	(3,374)	–	(3,374)
At 31 December 2020	52,519,420	5,723,918	58,243,338

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Rental income (Note 5)	1,681,437	1,561,769
Direct operating expenses arising from investment properties that generate rental income	(545,981)	(392,712)
Direct operating expenses arising from investment properties that do not generate rental income	(205,475)	(162,933)

Investment properties as at 31 December 2021 are held in the PRC on leases between 10 to 50 years (2020: 10 to 50 years).

Borrowing costs of RMB686,325,000 (2020: RMB360,655,000) have been capitalised in investment properties under construction for the year ended 31 December 2021. The capitalisation rate of borrowings for the year ended 31 December 2021 was 6.17% (2020: 6.34%).

7 INVESTMENT PROPERTIES (CONTINUED)

As at 31 December 2021, investment properties of RMB45,882,632,000 (2020: RMB36,383,376,000) were pledged as collateral for the Group's borrowings (Note 23).

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2021. The revaluation gains or losses are included in 'fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2021, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers to or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2021 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and car parks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation 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.

For car parks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land 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.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

Fair values of the right-of-use assets of commercial properties held under leases are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation 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.

There were no changes to the valuation techniques during the year.

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2021 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	
Completed investment properties	Commercial properties	56,770,509	Term and reversionary method	Term yields	4.0%-6.5%	The higher the term yields, the lower the fair value, and vice versa	
				Reversionary yields	4.5%-6.0%	The higher the reversionary yields, the lower the fair value, and vice versa	
				Market rents (RMB/square meter/month)	56-354	The higher the market rents, the higher the fair value, and vice versa	
	Car parks	5,023,867	Direct comparison	Market price (RMB/per car park)	35,000-400,000	The higher the market price, the higher the fair value, and vice versa	
Investment properties under construction	Commercial properties	15,635,594	Residual method	Market rents (RMB/square meter/month)	45-145	The higher the market rents, the higher the fair value, and vice versa	
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value, and vice versa	
				Budgeted construction costs to be incurred (RMB/sq.m.)	622-3,829	The higher the budgeted construction costs to be incurred, the lower the fair value, and vice versa	
				Developer's profit (%)	5.0%-20.0%	The higher the developer's profit, the lower the fair value, and vice versa	
		Car parks	899,785	Residual method	Market price (RMB/per car park)	38,000-127,000	The higher the market price, the higher the fair value, and vice versa
					Budgeted construction costs to be incurred (RMB/sq.m.)	339-2,073	The higher the budgeted construction costs to be incurred, the lower the fair value, and vice versa
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value, and vice versa	

7 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2020 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	48,241,541	Term and reversionary method	Term yields	4.0%-6.5%	The higher the term yields, the lower the fair value, and vice versa
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value, and vice versa
				Market rents (RMB/square meter/month)	56-354	The higher the market rents, the higher the fair value, and vice versa
	Car parks	4,277,879	Direct comparison	Market price (RMB/per car park)	35,000-400,000	The higher the market price, the higher the fair value, and vice versa
Investment properties under construction	Commercial properties	5,215,087	Residual method	Market rents (RMB/square meter/month)	45-145	The higher the market rents, the higher the fair value, and vice versa
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value, and vice versa
				Budgeted construction costs to be incurred (RMB/sq.m.)	622-3,829	The higher the budgeted construction costs to be incurred, the lower the fair value, and vice versa
				Developer's profit (%)	5.0%-20.0%	The higher the developer's profit, the lower the fair value, and vice versa
	Car parks	508,831	Residual method	Market price (RMB/per car park)	38,000-127,000	The higher the market price, the higher the fair value, and vice versa
				Budgeted construction costs to be incurred (RMB/sq.m.)	339-2,073	The higher the budgeted construction costs to be incurred, the lower the fair value, and vice versa
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value, and vice versa

8 LEASES

(i) Amounts recognised in the consolidated balance sheet relating to leases

	31 December	
	2021 RMB'000	2020 RMB'000
Right-of-use assets		
Property and equipment	2,150,957	1,521,972
Investment properties	2,098,695	692,388
	4,249,652	2,214,360
Lease liabilities		
Current	189,902	213,000
Non-current	2,349,586	675,920
	2,539,488	888,920

(ii) Amounts recognised in the consolidated statement of comprehensive income relating to leases

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Depreciation and amortisation charges (Note 6)		
Land use rights	(55,873)	(39,164)
Other properties	(13,538)	(15,804)
	(69,411)	(54,968)
Fair value losses relating to investment properties	102,086	91,463
Interest expense (included in finance cost)	104,026	35,595
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	18,026	14,163
Expense relating to variable leases payments not included in lease liabilities (included in cost of goods sold)	6,164	7,576
Cash outflows for lease payments and short-term leases (including principal elements and relevant interest expenses)	244,214	185,916

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2021 RMB'000	2020 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	14,771,033	10,634,408
– Interests capitalised	5,766,162	4,814,063
– Land use rights	50,328,384	33,270,826
	70,865,579	48,719,297

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2021, properties under development of approximately RMB47,830,573,000 (2020: RMB28,307,574,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings for the year ended 31 December 2021 was 6.17% (2020: 6.34%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2021, completed properties held for sale of approximately RMB5,780,849,000 (2020: RMB6,189,199,000) were pledged as collateral for the Group's borrowings (Note 23).

11 TRADE RECEIVABLES

	31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables (Note (a))	3,384,614	2,259,611
– Third parties	3,377,871	2,218,069
– Related parties (Note 38(d))	6,743	41,542
Less: loss allowance (Note (b))	(152,744)	(95,773)
	3,231,870	2,163,838
Less: non-current portion		
Trade receivables – third parties	(222,781)	–
Current portion of trade receivables	3,009,089	2,163,838

11 TRADE RECEIVABLES (CONTINUED)

- (a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

The ageing analysis of gross trade receivables as at the respective balance sheet date is as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Within 90 days	1,821,856	1,803,234
Over 90 days and within 180 days	72,096	86,589
Over 180 days and within 365 days	1,164,454	210,146
Over 365 days	326,208	159,642
	3,384,614	2,259,611

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB152,744,000 was made against the gross amounts of trade receivables (2020: RMB95,773,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	95,773	46,074
Provision for impairment	82,481	57,491
Receivables written off during the year as uncollectible	(20,035)	(6,001)
Unused amount reverse	(5,475)	(1,791)
At 31 December	152,744	95,773

- (c) As at 31 December 2021 and 2020, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables.
- (d) The Group's trade receivables are mainly denominated in RMB.

12 OTHER RECEIVABLES

	31 December	
	2021 RMB'000	2020 RMB'000
Deposits for acquisition of land use rights	127,699	363,435
Other receivables from:	24,318,382	15,758,805
– Related parties (Note 38(d))	10,208,929	7,211,693
– Non-controlling interests (Note (c))	8,239,995	5,302,505
– Other amounts due from third parties (Note (d))	5,869,458	3,244,607
Less: loss allowance	(264,117)	(94,302)
	24,181,964	16,027,938

- (a) The Group's other receivables are mainly denominated in RMB.
- (b) Included in other receivables from related parties are amounts due from joint ventures of approximately RMB2,166,646,000 (2020: RMB1,829,022,000) bearing interest at average rate of 7.44% per annum (2020: 7.34%) and repayable within one year.
- (c) Other receivables represent cash advances made to non-controlling interests, which are unsecured, interest free and repayable on demand.
- (d) Other receivables from third parties mainly consist of deposits for construction projects.
- (e) The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk of the other receivables at the reporting date was the carrying value of each class of receivables.

13 PREPAYMENTS

	31 December	
	2021 RMB'000	2020 RMB'000
Acquisition of land use rights (Note (a))	6,095,191	10,995,180
Others (Note (b))	858,247	405,430
	6,953,438	11,400,610
Less: non-current portion		
Prepayments for acquisition of investment properties	(571,656)	(1,269,164)
Current portion of prepayments	6,381,782	10,131,446

- (a) Prepayments for land acquisitions are made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 37(a)).
- (b) Included in others was RMB499,647,000 for prepayments for property development as at 31 December 2021.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL comprise equity investments that are held for trading and equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Opening amounts as at 1 January	309,296	207,662
Additions	62,000	88,504
Acquisition of a subsidiary	–	313
Fair value (losses)/gains (Note 30)	(77,335)	12,817
Disposals	(103,479)	–
Closing amounts as at 31 December	190,482	309,296
Less: non-current portion	(558)	(313)
Current portion of financial assets at fair value through profit or loss	189,924	308,983

FVPL comprise the following individual investments:

	31 December	
	2021 RMB'000	2020 RMB'000
Hong Kong listed equity securities	11,589	46,396
Investment funds	178,335	262,587
Others	558	313
	190,482	309,296

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification and measurement

FVOCI comprise equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are long-term strategic investments and the Group considers this classification to be more relevant.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Opening amounts as at 1 January	439,057	382,139
Additions	39,000	–
Net (losses)/gains recognised in other comprehensive income	(178,976)	56,918
Closing amounts as at 31 December	299,081	439,057

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Classification and measurement (continued)

Equity investments at FVOCI comprise the following individual investments:

	31 December	
	2021 RMB'000	2020 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (i))	245,571	424,284
– Other unlisted equity investments	53,510	14,773
	299,081	439,057

- (i) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2021 and 2020, the fair value of this 5% equity interest was derived by using the market approach.

(b) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange and price risk is set out in Note 3.1.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 31 December 2021 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

The amounts recognised in the balance sheet are as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Investments in joint ventures	4,169,193	4,306,591
Investments in associates	5,600,550	3,335,609
	9,769,743	7,642,200

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The profits/(loss) recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Joint ventures (Note (a))	(110,943)	301,107
Associates (Note (b))	618,846	365,883
	507,903	666,990

(a) Joint ventures

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Balance as at 1 January	4,306,591	3,867,223
Additions	1,365,114	841,700
Withdrawal	(169,548)	–
Dividends declared	–	(426,060)
Transfer to subsidiaries (Note 40)	(774,590)	(210,065)
Disposal	(419,580)	–
Share of (loss)/profit – net	(110,943)	301,107
Currency translation differences	(5,556)	(16,027)
Elimination of unrealised profits	(22,295)	(51,287)
Balance as at 31 December	4,169,193	4,306,591

The contingent liabilities relating to the Group's financial guarantee provided for the joint ventures are disclosed in Note 36. There is no commitment relating to the Group's interests in the joint ventures.

(b) Associates

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Balance as at 1 January	3,335,609	1,726,705
Additions	1,682,669	1,338,061
Acquisition of a subsidiary	–	1,000
Dividends declared	–	(85,000)
Share of profits – net	618,846	365,883
Disposals	–	(1,000)
Elimination of unrealised profits	(36,574)	(10,040)
Balance as at 31 December	5,600,550	3,335,609

The contingent liabilities relating to the Group's financial guarantee provided for the associates are disclosed in Note 36. There is no commitment relating to the Group's interests in the associates.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2021 RMB'000	2020 RMB'000
Financial assets at amortised cost:	52,354,589	46,104,337
Trade receivables	3,231,870	2,163,838
Other receivables excluding deposits	24,054,265	15,664,503
Restricted cash	5,661,262	2,937,270
Cash and bank balances	19,407,192	25,338,726
FVOCI	299,081	439,057
FVPL	190,482	309,296
	52,844,152	46,852,690

Financial liabilities

	31 December	
	2021 RMB'000	2020 RMB'000
Financial liabilities at amortised cost:		
Borrowings	72,957,623	66,567,356
Trade and other payables excluding other tax and salaries payables	44,948,516	34,463,682
Lease liabilities	2,539,488	888,920
	120,445,627	101,919,958

18 RESTRICTED CASH

	31 December	
	2021 RMB'000	2020 RMB'000
Guarantee deposits for construction projects (Note (a))	1,772,104	1,335,299
Guarantee deposits for bank acceptance notes	70,000	–
Guarantee deposits for bank borrowings (Note (b))	608,420	1,504,790
Bank deposits	1,450,000	–
Other bank deposits with initial term of over three months and within one year (Note (c))	1,650,000	–
Others	110,738	97,181
	5,661,262	2,937,270
Denominated in:		
– RMB	5,579,502	2,853,106
– HK\$	81,760	84,164
	5,661,262	2,937,270

- (a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.
- (b) As at 31 December 2021, the Group has placed cash deposits of approximately RMB608,420,000 (2020: RMB1,504,790,000) with designated banks as security for bank borrowings (Note 23).
- (c) The Group's other bank deposits represent bank deposits with initial term of over three months and within one year, which were denominated in RMB with expected rate of return of 1.65% per annum for the year ended 31 December 2021. The carrying amounts of other bank deposits approximate their fair values, as the impact of discounting is not significant.

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 regulations of foreign exchange control promulgated by the PRC government.

19 CASH AND BANK BALANCES

	31 December	
	2021 RMB'000	2020 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	18,528,339	24,048,516
– Denominated in HK\$	115,824	405,879
– Denominated in US\$	762,904	884,331
– Denominated in MOP	125	–
	19,407,192	25,338,726

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 regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised:				
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	30,000,000,000	–	–	–
Issued and fully paid:				
As at 1 January 2021	4,142,403,000	36,795	–	36,795
Shares repurchased and cancelled (Note (a))	(2,000,000)	(16)	–	(16)
As at 31 December 2021	4,140,403,000	36,779	–	36,779
As at 1 January 2020	4,143,903,000	36,809	682,279	719,088
Shares repurchased and cancelled (Note (b))	(1,500,000)	(14)	(5,530)	(5,544)
Dividends	–	–	(676,749)	(676,749)
As at 31 December 2020	4,142,403,000	36,795	–	36,795

- (a) During the year ended 31 December 2021, the Company repurchased an aggregate of 2,000,000 shares through the Stock Exchange at a total consideration of HK\$12,847,920 (equivalent to approximately RMB10,941,000). The aforesaid repurchased shares have been cancelled.
- (b) During the year ended 31 December 2020, the Company repurchased an aggregate of 1,500,000 shares through the Stock Exchange at a total consideration of HK\$6,243,920 (equivalent to approximately RMB5,544,000). The aforesaid repurchased shares have been cancelled.

21 OTHER RESERVES

	Merger reserve	Other reserves	Statutory reserves	Share-based compensation reserves	Revaluation reserves	Capital injection by non- controlling interests	Transaction with non- controlling interests	Total
	RMB'000 (Note (a))	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000 (Note (d))	RMB'000 (Note (b))	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	337,203	(12,470)	128,477	13,097	407,850	1,224,449	(516,419)	1,582,187
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	337,730	337,730
Change in fair value of FVOCI, net of tax	-	-	-	-	(134,231)	-	-	(134,231)
Share award scheme – value of employee service	-	-	-	39,291	-	-	-	39,291
Currency translation differences	-	(5,556)	-	-	-	-	-	(5,556)
Shares repurchased and cancelled	-	(10,925)	-	-	-	-	-	(10,925)
Balance at 31 December 2021	337,203	(28,951)	128,477	52,388	273,619	1,224,449	(178,689)	1,808,496
Balance at 1 January 2020	337,203	3,557	127,290	-	272,959	926,674	1,606	1,669,289
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(518,025)	(518,025)
Change in fair value of FVOCI, net of tax	-	-	-	-	42,688	-	-	42,688
Revaluation gains on property and equipment transferred to investment properties, net of tax	-	-	-	-	92,203	-	-	92,203
Share award scheme – value of employee service	-	-	-	13,097	-	-	-	13,097
Appropriation to statutory reserves	-	-	1,187	-	-	-	-	1,187
Currency translation differences	-	(16,027)	-	-	-	-	-	(16,027)
Capital injection from non-controlling interests	-	-	-	-	-	297,775	-	297,775
Balance at 31 December 2020	337,203	(12,470)	128,477	13,097	407,850	1,224,449	(516,419)	1,582,187

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

21 OTHER RESERVES (CONTINUED)**(b) Other comprehensive income**

	Year ended 31 December 2021		
	Other reserves	Revaluation reserves	Total other comprehensive income
	RMB'000	RMB'000	RMB'000
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences (Note 16(a))	(5,556)	-	(5,556)
Items that will not be reclassified subsequently to profit or loss:			
Fair value losses on FVOCI – gross (Note 15)	-	(178,976)	(178,976)
Tax charge – deferred income tax	-	44,745	44,745
Total other comprehensive income – net of tax	(5,556)	(134,231)	(139,787)

	Year ended 31 December 2020		
	Other reserves	Revaluation reserves	Total other comprehensive income
	RMB'000	RMB'000	RMB'000
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences (Note 16(a))	(16,027)	-	(16,027)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gains on property and equipment transferred to investment properties	-	122,937	122,937
Fair value gains on FVOCI – gross (Note 15)	-	56,918	56,918
Tax charge – deferred income tax	-	(44,964)	(44,964)
Total other comprehensive income – net of tax	(16,027)	134,891	118,864

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group will transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

21 OTHER RESERVES (CONTINUED)

(c) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(d) Employee share award scheme

Powerlong Commercial Management Holding Limited ("Powerlong CM"), a subsidiary of the Group, was listed on the Stock Exchange on 30 December 2019 (the "listing"). On 24 November 2020, Powerlong CM granted 11,250,000 awarded shares under share award scheme to Mr. Chen Deli, the executive Director and the chief executive officer of Powerlong CM. The awarded shares will be transferred to Mr. Chen Deli after the relevant vesting conditions are fulfilled.

22 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2021	500,000	19,781	519,781
Redemption of perpetual capital instruments	–	–	–
Profit attributable to holders of perpetual capital instruments	–	38,000	38,000
Distribution to holders of perpetual capital instruments	–	(38,000)	(38,000)
Balance as at 31 December 2021	500,000	19,781	519,781
Balance as at 1 January 2020	800,000	20,364	820,364
Redemption of perpetual capital instruments	(300,000)	–	(300,000)
Profit attributable to holders of perpetual capital instruments	–	50,979	50,979
Distribution to holders of perpetual capital instruments	–	(51,562)	(51,562)
Balance as at 31 December 2020	500,000	19,781	519,781

The perpetual capital instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the perpetual capital instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

23 BORROWINGS

	31 December	
	2021 RMB'000	2020 RMB'000
Borrowings included in non-current liabilities:		
Senior notes (Note (a))	12,939,366	13,765,707
Corporate bonds (Note (b))	8,993,868	11,928,398
Commercial mortgage backed securities	2,329,278	2,341,364
Assets-backed securities	1,275,949	1,269,231
Bank borrowings (Note (c))	39,543,692	32,965,056
– secured	39,461,932	32,819,276
– unsecured	81,760	145,780
Other borrowings – secured (Note (d))	2,168,600	350,000
Less: current portion of non-current borrowings	(16,315,823)	(16,720,078)
	50,934,930	45,899,678
Borrowings included in current liabilities:		
Senior notes (Note (a))	3,160,562	–
Bank borrowings – secured (Note (c))	1,261,368	2,384,600
Other borrowings – secured (Note (d))	984,940	763,000
– secured	822,040	763,000
– unsecured	162,900	–
Short-term commercial papers	300,000	800,000
Add: current portion of long-term borrowings	16,315,823	16,720,078
	22,022,693	20,667,678
Total borrowings	72,957,623	66,567,356

(a) Senior notes

As at 31 December 2021, senior notes of RMB12,109,661,000 (2020: RMB12,924,867,000) was listed on the Singapore Exchange Securities Trading Limited which contain various early redemption options. The options 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 as at 31 December 2021 and 2020.

The Group's senior notes are guaranteed and secured by pledges of certain subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

As at 31 December 2021, corporate bonds of RMB8,394,049,000 (2020: RMB10,030,811,000) are with the issuer's option to raise the coupon rate and the investor's option to sell back the bonds at the end of the second, third, fourth or fifth years. The options embedded in the corporate bonds 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 options was insignificant as at 31 December 2021 and 2020.

(c) Bank borrowings

As at 31 December 2021, bank borrowings of RMB40,723,300,000 (2020: RMB35,203,876,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 18); the secured bank borrowings of RMB7,333,909,000 (2020: RMB5,612,354,000) were additionally guaranteed by certain related parties (Note 38(b)(iii)).

23 BORROWINGS (CONTINUED)**(d) Other borrowings**

As at 31 December 2021, borrowings from other financial institutions of RMB2,990,640,000 (2020: RMB1,113,000,000) were secured by property and equipment (Note 6), investment properties (Note 7), properties under development (Note 9) and completed properties held for sale (Note 10).

- (e)** The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021	23,045,944	30,413,961	16,168,432	3,329,286	72,957,623
At 31 December 2020	12,724,612	40,882,070	10,355,360	2,605,314	66,567,356

- (f)** The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2021		31 December 2020	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
Senior Notes (Note (i))	10,212,322	9,087,756	9,685,392	10,153,814
Corporate bonds (Note (ii))	3,967,739	3,967,500	5,014,406	5,030,000
Commercial mortgage backed securities (Note (ii))	1,397,359	1,500,000	2,257,766	2,350,000
Assets-backed securities (Note (ii))	–	–	1,269,231	1,280,000
Bank borrowings (Note (iii))	33,188,910	33,188,910	27,322,883	27,322,883
Other borrowings (Note (iii))	2,168,600	2,168,600	350,000	350,000
	50,934,930	49,912,766	45,899,678	46,486,697

Notes:

- (i) The fair values were determined directly by reference to the price quotations published by Singapore Stock Exchange Limited on 31 December 2021 and 2020, using the pricing of dealing date and were within level 1 of the fair value hierarchy.
- (ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2021 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.
- (iii) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

23 BORROWINGS (CONTINUED)

(g) The effective interest rates of borrowings are as follows:

	31 December	
	2021	2020
Senior notes	6.80%	7.18%
Corporate bonds	6.78%	7.24%
Commercial mortgage backed securities	5.76%	5.77%
Assets-backed securities	6.77%	6.87%
Bank and other borrowings	6.61%	5.86%
Short-term commercial papers	5.63%	5.68%

(h) The maturity of the borrowings is as follows:

	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Senior notes	5,887,606	2,653,871	7,558,451	–	16,099,928
Corporate bonds	5,026,129	3,967,739	–	–	8,993,868
Commercial mortgage backed securities	931,919	1,397,359	–	–	2,329,278
Assets-backed securities	1,275,949	–	–	–	1,275,949
Bank and other borrowings	7,616,150	13,353,180	12,447,300	7,388,430	40,805,060
Other borrowings	984,940	762,900	650,000	755,700	3,153,540
Short-term commercial papers	300,000	–	–	–	300,000
	22,022,693	22,135,049	20,655,751	8,144,130	72,957,623
As at 31 December 2020					
Senior notes	4,080,315	2,779,912	6,905,480	–	13,765,707
Corporate bonds	6,913,992	3,519,048	1,495,358	–	11,928,398
Commercial mortgage backed securities	83,598	81,645	325,030	1,851,091	2,341,364
Assets-backed securities	–	1,269,231	–	–	1,269,231
Bank and other borrowings	8,026,773	6,581,184	12,715,466	8,026,233	35,349,656
Other borrowings	763,000	–	–	350,000	1,113,000
Short-term commercial papers	800,000	–	–	–	800,000
	20,667,678	14,231,020	21,441,334	10,227,324	66,567,356

23 BORROWINGS (CONTINUED)

(i) As at 31 December 2021 and 2020, the Group had the following undrawn borrowing facilities:

	31 December	
	2021 RMB'000	2020 RMB'000
Floating rate:		
– expiring within 1 year	242,271	1,020,300
– expiring beyond 1 year	9,752,910	5,197,346
Fixed rate:		
– expiring within 1 year	–	30,000
– expiring beyond 1 year	51,500	51,500
	10,046,681	6,299,146

24 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	374,970	427,482
To be realised within 12 months	734,879	373,198
	1,109,849	800,680
Deferred income tax liabilities:		
To be realised after more than 12 months	(7,906,960)	(6,673,448)
To be realised within 12 months	(565,283)	(568,996)
	(8,472,243)	(7,242,444)
	(7,362,394)	(6,441,764)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
At 1 January	(6,441,764)	(5,923,369)
Recognised in income tax expense (Note 32)	129,174	(421,637)
Tax charge/(credit) relating to components of other comprehensive income (Note 21(b))	44,745	(44,964)
Consolidation of entities previously held as joint ventures	(1,094,549)	(50,548)
Acquisition of a subsidiary	–	(1,246)
At 31 December	(7,362,394)	(6,441,764)

24 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter- company transactions RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	440,210	531,499	220,170	47,519	1,239,398
Credited to the income tax expense	181,182	320,919	10,115	56,956	569,172
At 31 December 2021	621,392	852,418	230,285	104,475	1,808,570
At 1 January 2020	338,439	522,068	90,876	15,425	966,808
Consolidations of entities previously held as joint ventures	–	6,630	–	–	6,630
Acquisition of a subsidiary	–	–	1,895	–	1,895
Credited to the income tax expense	101,771	2,801	127,399	32,094	264,065
At 31 December 2020	440,210	531,499	220,170	47,519	1,239,398

24 DEFERRED INCOME TAX (CONTINUED)**Deferred income tax liabilities**

	Excess of carrying amount of land use right over the tax bases	Temporary difference on revaluation gains of investment properties	Temporary difference on revaluation of FVOCI	Temporary difference on right-of-use assets	Withholding tax on profit to be distributed in future	Temporary difference on interest capitalisation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	(617,797)	(6,189,865)	(39,278)	(179,657)	(79,000)	(465,947)	(109,618)	(7,681,162)
Consolidations of entities previously held as joint ventures	(1,094,549)	-	-	-	-	-	-	(1,094,549)
Tax credited/(charged) to the income tax expense	328,082	(265,838)	-	(21,920)	-	(365,386)	(114,936)	(439,998)
Tax charge relating to components of other comprehensive income	-	-	44,745	-	-	-	-	44,745
At 31 December 2021	(1,384,264)	(6,455,703)	5,467	(201,577)	(79,000)	(831,333)	(224,554)	(9,170,964)
At 1 January 2020	(706,919)	(5,639,423)	(25,049)	(55,771)	(100,000)	(285,486)	(77,529)	(6,890,177)
Consolidations of entities previously held as joint ventures	(57,178)	-	-	-	-	-	-	(57,178)
Acquisition of a subsidiary	-	-	-	(1,740)	-	-	(1,401)	(3,141)
Tax credited/(charged) to the income tax expense	146,300	(550,442)	-	(122,146)	21,000	(180,461)	47	(685,702)
Tax charge relating to components of other comprehensive income	-	-	(14,229)	-	-	-	(30,735)	(44,964)
At 31 December 2020	(617,797)	(6,189,865)	(39,278)	(179,657)	(79,000)	(465,947)	(109,618)	(7,681,162)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB784,958,000 (2020: RMB436,997,000) in respect of losses amounting to RMB3,139,830,000 (2020: RMB1,747,989,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

24 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

Tax losses will expire in the following years:

Year	RMB'000
2021	66,731
2022	377,332
2023	461,149
2024	670,759
2025	1,563,859
	3,139,830

Deferred income tax liabilities of RMB4,141,479,000 (2020: RMB3,687,622,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB41,414,793,000 as at 31 December 2021 (2020: RMB36,876,216,000), as the Group does not have a plan to distribute these earnings out of the PRC.

25 TRADE AND OTHER PAYABLES

	31 December	
	2021 RMB'000	2020 RMB'000
Trade payables (Note (a))	16,197,293	13,183,955
– Related parties (Note 38(d))	40,273	25,800
– Third parties	15,014,075	12,890,578
– Notes payable – third parties	1,142,945	267,577
Other payables and accruals	23,839,652	17,500,555
– Related parties (Note 38(d))	11,363,136	10,986,310
– Non-controlling interests	6,503,912	3,824,565
– Third parties (Note (b))	5,972,604	2,689,680
Payables for retention fee	1,525,557	823,415
Value-added tax received in advance from customers	2,451,453	1,928,838
Interest payable	1,096,805	1,068,161
Payables for acquisition of land use rights	1,379	23,751
Other tax payables	1,403,666	734,129
Dividend payables to non-controlling interests	–	148,880
	46,515,805	35,411,684
Less: non-current portion		
Other payables – third parties	(137,115)	(182,167)
Current portion	46,378,690	35,229,517

25 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The ageing analysis of trade payables as at 31 December 2021 and 2020 based on invoice date is as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Within 90 days	6,674,871	8,993,850
Over 90 days and within 180 days	7,209,571	2,513,720
Over 180 days and within 365 days	889,272	1,217,702
Over 365 days and within 3 years	1,423,579	458,683
	16,197,293	13,183,955

- (b) Amounts represent mainly cash advances from independent third parties for joint development projects and deposits from property purchasers.
- (c) Group's trade and other payables were mainly denominated in RMB, except for the interest payables of RMB247,991,000 and RMB21,557,000 (2020: RMB314,023,000 and RMB21,860,000), which were denominated in US\$ and HK\$ respectively.
- (d) The fair value of trade and other payables approximate their carrying amounts.

26 CONTRACT LIABILITIES

	31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities		
– Related parties (Note 38(d))	8,522	74,209
– Third parties	38,916,915	22,683,123
	38,925,437	22,757,332

Contract liabilities mainly represent the receipts of the property sales. Such liabilities increased as a result of the business growth of the Group.

(a) Revenue recognised in relation to contract liabilities

The following table set out the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	12,305,926	18,702,253

(b) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as of 31 December 2021 and 31 December 2020.

27 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2021 RMB'000	2020 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	6,992,662	5,575,055
– PRC land appreciation tax payable	6,245,743	4,796,556
– PRC withholding tax payable	–	91,000
	13,238,405	10,462,611

28 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	24,184,806	20,156,143
Staff costs (including directors' emoluments)	2,547,194	1,672,436
Employee benefit expenditure – including directors' emoluments	2,918,632	1,942,297
Less: capitalised in properties under development, investment properties under construction and construction in progress	(371,438)	(269,861)
Taxes and other levies	384,308	262,581
Advertising costs	860,610	700,078
Subcontracting costs	443,650	459,513
Hotel operations expenses	289,978	296,977
Depreciation and amortisation	295,106	279,506
– Property and equipment (Note 6)	225,134	224,351
– Right-of-use assets (Note 6)	69,411	54,968
– Intangible assets	561	187
Utilities	141,909	138,303
Office related expenses	111,483	93,863
Donations	34,564	68,892
Rental expenses	24,190	30,237
Auditor's remuneration	20,408	11,666
– Audit services	14,300	8,000
– Non-audit services	6,108	3,666

29 STAFF COSTS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages and salaries	2,384,079	1,696,547
Pension costs – statutory pension	418,444	171,320
Share award scheme – value of employee service	55,248	18,416
Other staff welfare and benefits	60,861	56,014
	2,918,632	1,942,297
Less: capitalised in properties under development, investment properties under construction and construction in progress	(371,438)	(269,861)
	2,547,194	1,672,436

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2020: four) directors whose emoluments are reflected in the analysis presented in Note 43. The aggregate amounts of emoluments of the remaining one (2020: one) highest paid individual for the year ended 31 December 2021 and 2020 are set out below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Share award scheme – value of employee service (Note 21(d))	55,248	18,416
Wages and salaries	2,500	700
Retirement scheme contributions	223	65
Fee	240	140
Discretionary bonus	300	–
Allowance	48	21
	58,559	19,342

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in HK\$)		
HK\$22,000,000 to HK\$23,000,000	–	1
HK\$71,500,001 to HK\$72,000,000	1	–

During the year ended 31 December 2021, no emolument was paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices (2020: nil).

29 STAFF COSTS (CONTINUED)**(b) Pensions – defined contribution 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 government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

30 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Fair value gains on the remeasurement of investments in joint ventures (Note 40)	558,355	37,919
Revaluation gains on completed properties held for sale transferred to investment properties	400,132	–
Gains on disposal of a joint venture	233,978	2,000
Interest income	169,693	82,241
Foreign exchange gains – net (Note (a))	40,236	42,861
Dividend income of financial assets at fair value through profit or loss	–	1,218
(Losses)/gains on disposal of investment properties	(3,516)	2,062
Fair value (losses)/gains on financial assets at fair value through profit or loss	(77,335)	12,817
Others	68,799	3,108
	1,390,342	184,226

- (a) Amount mainly represents the net losses on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "finance (costs)/income – net" (Note 31).

31 FINANCE COSTS/(INCOME) – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest expense:		
Borrowings	5,089,445	4,275,175
Lease liabilities	104,026	35,595
	5,193,471	4,310,770
Less: finance costs capitalised	(3,820,465)	(3,004,478)
Foreign exchange gains on borrowings – net	(595,024)	(1,205,882)
Finance costs	777,982	100,410
Interest income of bank deposits	(343,264)	(413,133)
Gains on early redemption of senior notes	–	290
Finance costs/(income) – net	434,718	(312,433)

32 INCOME TAX EXPENSE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax:		
PRC corporate income tax	2,655,935	2,366,554
PRC land appreciation tax	2,284,891	1,679,846
	4,940,826	4,046,400
Deferred income tax:		
PRC corporate income tax	77,805	513,759
PRC land appreciation tax	(206,979)	(92,122)
	(129,174)	421,637
	4,811,652	4,468,037

The tax charge on other comprehensive income has been disclosed in Note 21(b).

32 INCOME TAX EXPENSE (CONTINUED)

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the respective group entities as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	12,147,777	13,283,387
Calculated at applicable corporate income tax rate	3,040,275	3,454,944
Effect of expenses not deductible for income tax	87,957	21,938
Effect of income not subject to income tax	(255,761)	(249,872)
Share of profits of investments accounted for using the equity method	(126,976)	(166,748)
Tax losses for which no deferred income tax asset was recognised	390,965	160,991
Utilisation of tax losses previously not recognised	(1,753)	(14,009)
PRC land appreciation tax deductible for PRC corporate income tax purposes	(400,967)	(396,931)
	2,733,740	2,810,313
PRC withholding income tax on profit to be distributed in the future	–	70,000
PRC land appreciation tax	2,077,912	1,587,724
	4,811,652	4,468,037

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for both years, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

32 INCOME TAX EXPENSE (CONTINUED)

PRC land appreciation tax (“LAT”)

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company’s subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

33 EARNINGS PER SHARE

(a) Basic

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 year.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	5,992,099	6,093,216
Weighted average number of ordinary shares in issue (thousand shares)	4,141,135	4,142,654
Basic earnings per share (RMB cents per share)	144.7	147.1

(b) Diluted

Since there was no dilutive potential ordinary shares during the year ended 31 December 2021, diluted earnings per share is equal to basic earnings per share (2020: nil).

34 DIVIDENDS

The dividend paid in 2021 consists of (i) the payment of the 2020 final cash dividend of HK33.0 cents per ordinary share totalling HK\$1,366,993,000 (equivalent to RMB1,124,912,000) (2019 final cash dividend and the special dividend of HK31.0 cents per ordinary share totalling HK\$1,284,145,000), and (ii) 2021 interim dividend of HK18.0 cents per ordinary share in form of cash totalling HK\$745,272,000 (equivalent to RMB608,679,000) (2020 interim dividend: HK12.0 cents per ordinary share in form of cash totalling HK\$497,088,000).

The Board recommended the payment of a final dividend of HK10.0 cents per ordinary share. Total amount of final dividend would be HK\$414,040,000 (equivalent to approximately RMB338,519,000) which is calculated according to the ordinary shares in issue as of 31 December 2021. Such dividends is subject to approval by the shareholders at the Annual General Meeting on 17 June 2022. These consolidated financial statements do not reflect this dividend payable.

The final dividend will be offered with a scrip option for the shareholders of the Company to elect, as an alternative, to receive the final dividend wholly or partly in the form of new fully paid shares of the Company in lieu of cash (the "Scrip Dividend Scheme"). The new shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Company's shares in issue on the date of allotment and issue of such shares, except that they will not be entitled to the final dividend. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the Annual General Meeting and the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares to be issued pursuant to the Scrip Dividend Scheme.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Proposed final dividends	338,519	1,150,516

35 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before taxation	12,147,777	13,283,387
Adjustments for:		
Depreciation and amortisation	295,106	279,506
– Property and equipment (Note 6)	225,134	224,351
– Right-of-use assets (Note 6)	69,411	54,968
– Intangible assets	561	187
Fair value gains on investment properties – net (Note 7)	(1,710,955)	(2,095,764)
Impairment losses on financial assets – net	241,415	150,002
Share of results of investments accounted for using the equity method (Note 16)	(507,903)	(666,990)
Other income and gains-net (Note 30)	(1,390,342)	(184,226)
Finance costs/(income) – net (Note 31)	434,718	(312,433)
Share award scheme – value of employee service	55,248	18,416
Changes in operating capital:		
Properties under development and completed properties held for sale	(13,902,065)	(11,978,916)
Restricted cash	(520,362)	(723,197)
Trade and other receivables	1,434,027	(431,326)
Contract assets	(151,025)	(126,422)
Prepayments	3,832,141	(2,872,149)
Trade and other payables	2,699,312	479,873
Contract liabilities	7,049,502	(527,909)
Cash generated from/(used in) operation	10,006,594	(5,708,148)

35 CASH FLOW INFORMATION (CONTINUED)**(b) Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan from related parties RMB'000	Borrowings RMB'000	Leases RMB'000	Total RMB'000
Net debt as at 1 January 2021	11,356,924	66,567,356	888,920	78,813,200
– Inflow from financing activities	8,829,246	37,458,685	–	46,287,931
– Outflow from financing activities	(8,823,034)	(32,493,168)	(226,188)	(41,542,390)
Consolidation of entities previously held as joint ventures (Note 40)	–	1,710,400	–	1,710,400
Acquisition – leases	–	–	1,772,730	1,772,730
Foreign exchange adjustments	–	(444,732)	–	(444,732)
Other changes (i)	–	159,082	104,026	263,108
Net debt as at 31 December 2021	11,363,136	72,957,623	2,539,488	86,860,247

	Loan from related parties RMB'000	Borrowings RMB'000	Leases RMB'000	Total RMB'000
Net debt as at 1 January 2020	5,956,236	55,263,081	429,833	61,649,150
– Inflow from financing activities	9,892,897	38,638,283	–	48,531,180
– Outflow from financing activities	(4,492,209)	(26,524,943)	(171,753)	(31,188,905)
Consolidations of entities previously held as joint ventures	–	232,500	–	232,500
Acquisition – leases	–	–	521,242	521,242
Acquisition of a subsidiary	–	–	74,003	74,003
Foreign exchange adjustments	–	(1,158,974)	–	(1,158,974)
Other changes (i)	–	117,409	35,595	153,004
Net debt as at 31 December 2020	11,356,924	66,567,356	888,920	78,813,200

- (i) Other changes mainly comprise of: i) amortisation of issuance costs of senior notes, corporate bonds, commercial mortgage backed securities and assets-backed securities, ii) finance expenses recognised of leases and iii) gains on early redemption of senior notes.

36 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2021 RMB'000	2020 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	32,685,377	29,461,621
Guarantees for borrowings of joint ventures and associates (Note (b))	1,234,831	1,394,430
	33,920,208	30,856,051

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and 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 the fair value of these financial guarantees is immaterial.

- (b) Amounts represent principal amounts of the loans of the joint ventures and associates guaranteed by the Group. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

37 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2021 RMB'000	2020 RMB'000
Contracted but not provided for:		
Properties development activities	14,477,443	14,102,853
Acquisition of land use rights	3,448,488	5,954,026
	17,925,931	20,056,879

(b) Leases commitments

As at 31 December 2021 and 2020, the Group did not have any material short-term lease commitments.

38 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Mantong (HK) Trading Co., Limited 萬通(香港)貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Yueshang Information Technology Co., Ltd. 上海悅商資訊科技有限公司	Significantly influenced by the Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限責任公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	Joint venture of the Group
Yangzhou Golden Wheel Powerlong Real Estate Co., Ltd. 揚州金輪寶龍置業有限公司	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華豐置業發展有限公司	Joint venture of the Group
Shanghai Xiaofeng Enterprise Management Co., Ltd. 上海夏鋒企業管理有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties (continued)

Name	Relationship
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Ningbo Youngor Baolong Real Estate Co., Ltd. (formerly named Ningbo Youngor New Longland Real Estate Development Co., Ltd.) 寧波雅戈爾寶龍置業有限公司 (前稱寧波雅戈爾新長島置業有限公司)	Joint venture of the Group
Shanghai Baoshen Digital Technology Co., Ltd. 上海寶申數字科技有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海畢傑企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Tianjin Binhui Real Estate Co., Ltd. 天津濱輝置業有限公司	Joint venture of the Group
Qingdao Hailong Yilian Real Estate Co., Ltd. 青島海龍衣聯置業有限公司	Joint venture of the Group
Taizhou Huayi Real Estate Co., Ltd. 台州華懿置業有限公司	Joint venture of the Group
Taizhou Tianqu Real Estate Co., Ltd. 台州天衢置業有限公司	Joint venture of the Group
Pingyang Zhongji Lianye Real Estate Co., Ltd. 平陽中基聯業置業有限公司	Joint venture of the Group
Hangzhou Powerlong Taoyuan Real Estate Development Co., Ltd. 杭州寶龍桃源置業發展有限公司	Joint venture of the Group
Zhoushan Longyu Commercial Investment Co., Ltd. 舟山龍宇商業投資有限公司	Joint venture of the Group
Zhoushan Longyu Hotel Co., Ltd. 舟山龍宇大酒店有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都綸企業管理有限公司	Associate of the Group
Quanzhou Shimao New Mileage Real Estate Co., Ltd. 泉州世茂新里程置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驥實業有限公司	Associate of the Group
Tianjin Hongyao Decoration Engineering Co., Ltd. 天津宏耀裝修工程有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Name and relationship with related parties (continued)**

Name	Relationship
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group
Zhejiang Lancheng Hongyi Youdao Construction Management Co., Ltd. 浙江藍城宏逸有道建設管理有限公司	Associate of the Group
Shaoxing Keqiao Juhang Real Estate Development Co., Ltd. 紹興柯橋聚杭房地產開發有限公司	Associate of the Group
Hangzhou Juyou Enterprise Management Co., Ltd. 杭州聚佑企業管理有限責任公司	Associate of the Group
Yiwu Juli Real Estate Development Co., Ltd. 義烏聚厲房地產開發有限公司	Associate of the Group
Zhoushan Juyou Real Estate Development Co., Ltd. 舟山聚佑房地產開發有限公司	Associate of the Group
Shanghai Taoxia Enterprise Management Co., Ltd. 上海濤峽企業管理有限公司	Associate of the Group
Zhejiang Huzhou Baohui Real Estate Development Co., Ltd. 浙江湖州寶輝房地產開發有限公司	Associate of the Group
Hangzhou Jiayi Real Estate Co., Ltd. 杭州嘉怡置業有限公司	Associate of the Group
Tiantai Maolong Real Estate Development Co., Ltd. 天臺茂龍房地產開發有限公司	Associate of the Group

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

- (i) During the years ended 31 December 2021 and 2020, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Nature of transactions		
The Controlling Shareholders		
Loan interests	–	17,788
Controlled by the ultimate controlling shareholder		
Rental income	7,819	4,321
Purchase of office equipment and security intelligentisation system services from related parties	64,644	33,479
Hotel accommodation service fee charged by a related party	–	14
Significantly influenced by Controlling Shareholder		
Purchase of digitalisation services	31,630	22,653
Controlled by the Controlling Shareholders		
Provision of construction service	10,092	–
Rental expenses	13,200	–
Joint ventures		
Sales of construction materials to joint ventures	90,959	21,710
Interest income from joint ventures	169,693	76,232
Consultation services provided to joint ventures	158,479	161,844
Commercial operational services and residential properties	35,237	–
Purchase of information technology from a joint venture	1,849	12,906
Associates		
Sales of construction materials to associates	44,178	2,415
Consultation services provided to associates	40,930	120,247
Commercial operational services and residential properties	15,086	–
Interest income from Associates	23,270	2,993

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (continued)**

- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB1,234,831,400 as at 31 December 2021 (2020: RMB1,394,430,000) (Note 36).
- (iii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB7,333,909,000 as at 31 December 2021 (2020: RMB5,612,354,000) (Note 23).
- (iv) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Key management compensation		
– Salaries and other employee benefits	26,845	17,496
– Pension costs	1,858	1,440
	28,703	18,936

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(d) Balances with related parties**

As at 31 December 2021, the Group had the following material balances with related parties:

	31 December	
	2021 RMB'000	2020 RMB'000
Amounts due from related parties included in trade receivables (Note (i)):		
Joint ventures	6,743	25,681
Associates	–	15,861
	6,743	41,542
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled by the ultimate controlling shareholder	21,376	21,376
Joint ventures	7,722,673	4,058,535
Associates	2,464,880	3,131,782
	10,208,929	7,211,693
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	31,603	16,315
Significantly influenced by the Controlling Shareholder	7,350	8,871
Joint ventures	208	614
Associates	1,112	–
	40,273	25,800
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	3,127,123	2,310,226
Joint ventures	4,511,708	5,654,953
Associates	3,724,305	3,021,131
	11,363,136	10,986,310

38 RELATED PARTY TRANSACTIONS (CONTINUED)**(d) Balances with related parties (continued)**

	31 December	
	2021 RMB'000	2020 RMB'000
Amounts due to related parties included in contract liabilities (Note (iv)):		
The Controlling Shareholders	–	10,966
Joint ventures	8,522	41,073
Associates	–	22,170
	8,522	74,209

- (i) Amounts due from joint ventures and associates included in trade receivables are mainly derived from consulting services provided to joint ventures and associates.
- (ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.
- (iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures are interest bearing (Note 12), others are unsecured, interest-free and receivable/repayable on demand.
- (iv) Amounts due to related parties included in contract liabilities mainly consist of advances paid for purchase of properties and consulting services.

39 CAPITAL INJECTION FROM NON-CONTROLLING INTERESTS

During the year ended 31 December 2021, the Group and certain independent third parties entered into certain cooperation agreements in relation to the establishment of property development companies. These property development companies are accounted for as subsidiaries of the Group, and capital contribution from the minority interest amounted to approximately RMB4,541,846,000.

40 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES

On 1 July 2021, the joint venture partners of Changzhou Chengyuan Property Development Co., Ltd. (“Changzhou Chengyuan”), Taizhou Pengmiao Real Estate Development Co., Ltd. (“Taizhou Pengmiao”), Yiwu Meilong Property Development Co., Ltd. (“Yiwu Meilong”), Lanxi Longrui Real Estate Development Co., Ltd. (“Lanxi Longrui”) and Ningbo Ronghui Property Development Co., Ltd. (“Ningbo Ronghui”) have transferred the controlling rights of the jointly controlled projects to the Group respectively. The investments in Changzhou Chengyuan, Taizhou Pengmiao, Yiwu Meilong, Lanxi Longrui and Ningbo Ronghui are deemed as having been disposed of, and were remeasured to fair value at the date of deemed disposal, the resulting gains of RMB558,355,000 from the remeasurement are recognised in the profit or loss in accordance with HKFRS 3 – Business Combinations.

Details of the purchase consideration, the net asset acquired and goodwill are as follows:

	Ningbo Ronghui RMB'000	Taizhou Pengmiao RMB'000	Lanxi Longrui RMB'000	Changzhou Chengyuan RMB'000	Yiwu Meilong RMB'000	Total RMB'000
Total Consideration						
Carrying amounts of the Group's investments in joint ventures	–	246,756	–	463,843	63,991	774,590
Fair value gains on the remeasurement of investments in joint ventures	110,277	136,074	105,119	102,821	104,064	558,355
Fair value of the investments in respective entity	110,277	382,830	105,119	566,664	168,055	1,332,945
Recognised amounts of identifiable assets acquired and liabilities assumed						
Cash and cash equivalents	219,972	508,844	145,028	336,273	279,186	1,489,303
Trade and other receivables	1,305,487	–	387,974	1,180,166	626,827	3,500,454
Properties under development	1,884,865	2,010,433	652,870	1,440,582	963,154	6,951,904
Prepaid taxes	–	–	–	52,307	28,598	80,905
Prepayments	770	579	–	–	252	1,601
Property, plant and equipment	377	–	84	11	58	530
Investment properties	643,410	1,079,175	927,230	239,616	521,039	3,410,470
Deferred income tax assets	–	–	–	29	1,322	1,351
Trade and other payables	(444,606)	216,853	(231,729)	(259,115)	(181,025)	(899,622)
Contract liabilities	(2,747,340)	(2,197,505)	(1,291,309)	(1,570,924)	(1,311,525)	(9,118,603)
Borrowings	(445,400)	(840,000)	(210,000)	(5,000)	(210,000)	(1,710,400)
Current income tax liabilities	–	–	–	(83,481)	(139,517)	(222,998)
Deferred income tax liabilities	(201,308)	(189,409)	(204,949)	(219,358)	(242,260)	(1,057,284)
Total identifiable net assets	216,227	588,970	175,199	1,111,106	336,109	2,427,611
Non-controlling interests	(105,950)	(206,140)	(70,080)	(544,442)	(168,054)	(1,094,666)
Identifiable net assets attributable to the Company	110,277	382,830	105,119	566,664	168,055	1,332,945
Goodwill	–	–	–	–	–	–

The acquired business contributed revenue of RMB7,549,460,000 and net profit of RMB1,454,526,000 to the Group for the period from the acquisition date to 31 December 2021.

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2021 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寶龍地產(香港)控股有限公司 Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 05 July 2007	Limited liability company	HK\$1	100%	–	Investment holding in Hong Kong
寶龍置地發展有限公司 Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK\$100	82%	18%	Investment holding in Hong Kong
洪誠企業管理(香港)有限公司 Hongcheng Enterprise Management (Hong Kong) Limited	Hong Kong 15 July 2019	Limited liability company	HK\$100	100%	–	Investment holding in Hong Kong
鵬輝企業管理(香港)有限公司 Pengye Enterprise Management (Hong Kong) Limited	Hong Kong 01 August 2019	Limited liability company	HK\$100	100%	–	Investment holding in Hong Kong
紹興聚巒置業有限公司 Shaoxing Jurong Property Development Co., Ltd. (Note (b))	the PRC 29 April 2020	Limited liability company	RMB450,000,000	35%	65%	Property development and property investment in the PRC
珠海鵬灣置業有限公司 Zuhai Pengwan Property Development Co., Ltd. (Note (b))	the PRC 08 January 2020	Limited liability company	RMB50,000,000	45%	55%	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development, property investment and hotel operation in the PRC
寶龍星創實業(杭州)有限公司 Powerlong Xingchuang Industrial (Hangzhou) Co., Ltd. (Note (a))	the PRC 21 June 2016	Limited liability company	US\$149,424,383	42%	58%	Property development and property investment in the PRC
珠海寶龍置業有限公司 Zuhai Powerlong Property Development Co., Ltd.	the PRC 21 November 2019	Limited liability company	RMB10,000,000	90%	10%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Property Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	RMB293,833,329	100%	–	Property development property investment and hotel operation in the PRC
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development property investment and hotel operation in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd.	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development, property investment and hotel operation in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd.	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
宜興寶明房地產開發有限公司 Yixing Baoming Real Estate Development Co., Ltd. (Note (a))	the PRC 11 October 2019	Limited liability company	RMB200,000,000	48%	52%	Property development and property investment in the PRC
台州瓊懿實業有限公司 Taizhou Jingyi Industrial Co., Ltd	the PRC 29 July 2019	Limited liability company	RMB50,000,000	78%	22%	Property development and property investment in the PRC
上海聚凱企業管理有限公司 Shanghai Jukai Enterprise Management Co., Ltd.	the PRC 10 July 2018	Limited liability company	RMB1,000,000,000	95%	5%	Investment holding in the PRC
上海洪誠實業發展(集團)有限公司 Shanghai Hongcheng Industry Development (Group) Co., Ltd.	the PRC 17 October 2018	Limited liability company	RMB1,200,000,000	95%	5%	Investment holding in the PRC
福鼎寶龍英聚房地產有限公司 Fuding Powerlong Yingju Real Estate Development Co., Ltd.	the PRC 10 September 2018	Limited liability company	RMB100,000,000	52%	48%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
溫州寶信房地產開發有限公司 Wenzhou Baoxin Real Estate Development Co., Ltd.	the PRC 06 July 2018	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Property Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Co., Ltd.	the PRC 10 December 2007	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
福州寶龍貿易有限公司 Fuzhou Powerlong Trading Co., Ltd.	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
上海寶龍富閣房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd.	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州龍耀實業有限公司 Hangzhou Longyao Industrial Co., Ltd.	the PRC 03 August 2017	Limited liability company	US\$103,950,000	82%	18%	Property development and property investment in the PRC
寧波寶龍華隅置業發展有限公司 Ningbo Baolong Huayu Property Development Co., Ltd.	the PRC 13 June 2018	Limited liability company	RMB500,000,000	82%	18%	Property development and property investment in the PRC
紹興豪湖房地產開發有限公司 Shaoxing Haohu Real Estate Development Co., Ltd. (Note (a))	the PRC 25 October 2017	Limited liability company	RMB20,000,000	42%	58%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍芳駿房地產開發有限公司 Shanghai Powerlong Fangjun Real Estate Development Co., Ltd	the PRC 02 November 2016	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in the PRC
淮安德百信置業有限公司 Huaian Debaixin Property Development Co., Ltd	the PRC 08 January 2010	Limited liability company	RMB281,600,000	100%	–	Property development and property investment in the PRC
廈門寶龍地產管理有限公司 Xiamen Powerlong Real Estate Management Co., Ltd	the PRC 16 October 2007	Limited liability company	RMB4,338,000	100%	–	Investment holding in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Property Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development, property investment and hotel operation in the PRC
寧波奉化寶龍華祥置業有限公司 Ningbo Fenghua Powerlong Huaxiang Property Development Co., Ltd.	the PRC 19 December 2017	Limited liability company	RMB50,000,000	82%	18%	Property development and property investment in the PRC
上海煦新企業管理有限公司 Shanghai Xuxin Enterprise Management Co., Ltd.	the PRC 26 September 2014	Limited liability company	RMB1,000,000	71%	29%	Property management in the PRC
上海寶謙商業經營管理有限公司 Shanghai Baoqian Commercial Management Co., Ltd.	the PRC 13 November 2014	Limited liability company	RMB1,000,000	71%	29%	Property management in the PRC
長影粵海(海南)房地產開發有限公司 Changying Yuehai (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 03 April 2014	Limited liability company	RMB50,000,000	38%	62%	Property development and property investment in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	US\$3,000,000	71%	29%	Investment holding in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
義烏龍瑞房地產開發有限公司 Yiwu Longrui Real Estate Development Co., Ltd.	the PRC 21 November 2018	Limited liability company	RMB10,000,000	65%	35%	Property development and property investment in the PRC
浙江寶龍星匯企業管理有限公司 Zhejiang Powerlong Xinghui Enterprise Management Co., Ltd.	the PRC 12 October 2018	Limited liability company	RMB1,000,000,000	78%	22%	Investment holding in the PRC
上海寶龍實業發展(集團)有限公司 Shanghai Powerlong Industrial Development (Group) Co., Ltd. ("Shanghai Powerlong")	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	-	Investment holding in the PRC
寧波遠大實業投資有限公司 Ningbo Yuanda Industrial Investment Co., Ltd.	the PRC 23 August 2011	Limited liability company	RMB200,000,000	90%	10%	Property development and property investment in the PRC
諸暨潤龍置業有限公司 Zhuji Runlong Property Development Co., Ltd.	the PRC 31 August 2018	Limited liability company	RMB809,230,000	97%	3%	Property development and property investment in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	-	Investment holding in the PRC
長影椰海(海南)房地產開發有限公司 Changying Yehai (Hainan) Real Estate Development Co., Ltd. (Note (a))	the PRC 02 April 2014	Limited liability company	RMB1,000,000	38%	62%	Property development and property investment in the PRC
南京寶龍康浚置業發展有限公司 Nanjing Powerlong Kangjun Property Development Co., Ltd.	the PRC 07 November 2017	Limited liability company	US\$50,000,000	82%	18%	Property development and property investment in the PRC
鹽城樂龍置業有限公司 Yancheng Yulong Property Development Co., Ltd.	the PRC 21 May 2018	Limited liability company	RMB50,000,000	65%	35%	Property development and property investment in the PRC
常熟寶龍房地產開發有限公司 Changshu Powerlong Real Estate Development Co., Ltd.	the PRC 27 July 2018	Limited liability company	RMB50,000,000	95%	5%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寧波奉化寶龍華和置業有限公司 Ningbo Fenghua Powerlong Huahe Real Estate Co., Ltd.	the PRC 10 August 2018	Limited liability company	RMB50,000,000	78%	22%	Property development and property investment in the PRC
漳州寶龍英聚房地產有限公司 Zhangzhou Powerlong Yingju Real Estate Co., Ltd.	the PRC 16 July 2018	Limited liability company	RMB100,000,000	66%	34%	Property development and property investment in the PRC
永康中梁寶龍置業有限公司 Yongkang Zhongliang Property Development Co., Ltd. (Note (b))	the PRC 19 March 2018	Limited liability company	RMB50,000,000	29%	71%	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司寶龍艾美酒店 Powerlong Le Méridien Hotel	the PRC 14 April 2016	Limited liability company	–	100%	–	Hotel operation in the PRC
泰州寶龍房地產有限公司 Taizhou Powerlong Real Estate Co., Ltd. (Note (b))	the PRC 14 January 2019	Limited liability company	RMB370,000,000	47%	53%	Property development and property investment in the PRC
無錫嘉御置業有限公司 Wuxi Jiayu Property Development Co., Ltd	the PRC 01 November 2017	Limited liability company	RMB200,000,000	67%	33%	Property development and property investment in the PRC
上海寶龍商業地產管理有限公司 Shanghai Powerlong Commercial Real Estate Management Co., Ltd	the PRC 29 June 2007	Limited liability company	RMB5,000,000	71%	29%	Investment holding in the PRC
常州誠遠置業發展有限公司 Changzhou Chengyuan Property Development Co., Ltd	the PRC 29 May 2019	Limited liability company	US\$122,448,979.59	51%	49%	Property development and property investment in the PRC
台州騰發房地產開發有限公司 Taizhou Pengmiao Real Estate Development Co., Ltd	the PRC 15 May 2019	Limited liability company	RMB500,000,000	65%	35%	Property development and property investment in the PRC
義烏美龍置業有限公司 Yiwu Meilong Property Development Co., Ltd	the PRC 05 August 2019	Limited liability company	RMB30,000,000	52%	48%	Property development and property investment in the PRC

41 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
寧波融輝置業有限公司 Ningbo Ronghui Property Development Co., Ltd	the PRC 16 July 2019	Limited liability company	RMB20,000,000	51%	49%	Property development and property investment in the PRC
蘭溪龍瑞房地產開發有限公司 Lanxi Longrui Real Estate Development Co., Ltd	the PRC 18 October 2019	Limited liability company	RMB10,000,000	60%	40%	Property development and property investment in the PRC

Notes:

- (a) The Group indirectly hold the equity interest in these companies through layers of holding structures and the Group has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.
- (b) The Group has controlled these entities through agreements entered into with certain minority shareholders pursuant to which the minority shareholders confirmed to act in accordance with the Group in decisions on key business and financing policies of these entities.
- (c) The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (d) The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.
- (e) Except for Shanghai Powerlong, none of the subsidiaries had issued any debt securities at the end of the year.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	Note	31 December	
		2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		6,306,863	6,306,863
Current assets			
Amounts due from subsidiaries		23,100,650	18,559,207
Financial assets at fair value through profit or loss		738	1,014
Restricted cash		81,760	84,164
Cash and cash equivalents		381,531	1,115,432
		23,564,679	19,759,817
Total assets		29,871,542	26,066,680
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		36,779	36,795
Retained earnings	(a)	8,269	113,950
Total equity		45,048	150,745
LIABILITIES			
Non-current liabilities			
Borrowings		14,038,631	13,111,503
Current liabilities			
Borrowings		8,719,564	7,737,726
Other payables and accruals		2,454,606	1,644,808
Amounts due to subsidiaries		4,613,693	3,421,898
		15,787,863	12,804,432
Total liabilities		29,826,494	25,915,935
Total equity and liabilities		29,871,542	26,066,680

The balance sheet of the Company was approved by the Board of Directors on 29 April 2022 and was signed on its behalf by:

Hoi Kin Hong
Director

Hoi Wa Fong
Director

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	(Accumulated losses)/ retained earnings RMB'000
At 1 January 2020	(309,977)
Profit for the year	1,365,907
Dividends	(941,980)
As at 31 December 2020	113,950
At 1 January 2021	113,950
Profit for the year	1,650,840
Shares repurchased and cancelled	(10,925)
Dividends	(1,745,596)
As at 31 December 2021	8,269

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2021 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Discretionary Bonuses RMB'000	Total RMB'000
Executive directors						
Mr. Hoi Kin Hong	1,080	-	240	-	300	1,620
Mr. Hoi Wa Fong	840	15	480	-	300	1,635
Mr. Xiao Qing Ping	720	30	240	114	300	1,404
Ms. Shih Sze Ni	600	11	240	-	-	851
Mr. Zhang Hong Feng	720	121	240	40	300	1,421
Non-executive director						
Ms. Hoi Wa Fan	680	-	308	-	300	1,288
Independent non-executive directors						
Mr. Ngai Wai Fung	-	-	250	-	-	250
Mr. Mei Jian Ping	-	-	250	-	-	250
Mr. Ding Zu Yu	-	-	250	-	-	250
	4,640	177	2,498	154	1,500	8,969

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2020 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Discretionary Bonuses RMB'000	Total RMB'000
Executive directors						
Mr. Hoi Kin Hong	1,080	–	240	–	144	1,464
Mr. Hoi Wa Fong	600	15	480	–	144	1,239
Mr. Xiao Qing Ping	720	32	240	114	144	1,250
Ms. Shih Sze Ni	600	12	240	–	–	852
Mr. Zhang Hong Feng	720	107	240	40	144	1,251
Non-executive director						
Ms. Hoi Wa Fan	–	–	308	–	–	308
Independent non-executive directors						
Mr. Ngai Wai Fung	–	–	250	–	–	250
Mr. Mei Jian Ping	–	–	250	–	–	250
Mr. Ding Zu Yu	–	–	250	–	–	250
	3,720	166	2,498	154	576	7,114

During the years ended 31 December 2021 and 2020, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the Chief Executive Officer nor any of the directors waived any emoluments for the years ended 31 December 2021 and 2020.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2021 (2020: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2021, the Group did not pay consideration to any third parties for making available directors' services (2020: nil).

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the holding company of the company, is as follows:

Name of the borrower	Nature of connection	Total amount payable	Outstanding/ aggregate outstanding amounts at the beginning of the year	Outstanding/ aggregate outstanding amounts at the end of the year	Maximum outstanding during the year	Amounts/ aggregate amounts fallen due but not	Provisions/ aggregate provisions for doubtful/ bad debts	Term	Interest rate
			RMB'000	RMB'000		RMB'000	RMB'000		
At 31 December 2021									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		
At 31 December 2020									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	-	-	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	-	-		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

44 EVENTS AFTER THE REPORTING PERIOD

- (a) As of 31 March 2022, the Company had made partial repurchases of the US\$200,000,000 3.9% senior notes due 2022 issued by the Company and listed on the SGX-ST (the "Notes") in the aggregate principal amount of US\$32,950,000.

As of 6 April 2022, the Company has remitted all necessary funds to the trustee of the Notes for the repayment of all outstanding principal amount and accrued interest of the Notes at its maturity. There will be no outstanding Notes in issue after the repayment.

Please refer to the announcements of the Company dated 25 February 2022, 28 February 2022, 31 March 2022 and 6 April 2022 for further details.

- (b) On 16 March 2022, Shanghai Powerlong deposited all necessary funds into the designated bank account of China Securities Depository and Clearing Corporation Limited for the redemption of the 2020 corporate bonds specialized in rental housing (Tranche 1) in the PRC (the "2020 Corporate Bonds") at maturity in full at their outstanding principal amount together with interest accrued to the maturity date. The 2020 Corporate Bonds were redeemed on 20 March 2022.

PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

**Powerlong Real Estate
Holdings Limited**
Powerlong Tower
1399 Xinzhen Road
Minhang District
Shanghai 201101
People's Republic of China

**Powerlong Real Estate
Holdings Limited**
Room 5603, 56th Floor
The Center
99 Queen's Road Central
Hong Kong

**Powerlong Real Estate
Holdings Limited**
P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

TRUSTEE AND SECURITY AGENT

Citicorp International Limited
20/F, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

REGISTRAR, PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

LISTING AGENT

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

LEGAL ADVISERS TO THE COMPANY

as to United States and
Hong Kong law

Sidley Austin
39th Floor
Two International Finance Center
8 Finance Street, Central
Hong Kong

as to Cayman Islands and
British Virgin Islands law

**Maples and Calder
(Hong Kong) LLP**
26/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS TO THE DEALER MANAGER

as to PRC law

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing 100025, PRC

as to PRC law

**Commerce & Finance
Law Offices**
12-14th Floor, China World Office
Jianguomenwai Avenue
Chaoyang District
Beijing, PRC
100022

as to United States law

Linklaters
11/F Alexandra House
Chater Road
Hong Kong

LEGAL ADVISOR TO THE TRUSTEE

as to New York law

Mayer Brown
16th-19th Floors
Prince's Building
10 Chater Road
Central, Hong Kong