COUNTRY GARDEN HOLDINGS COMPANY LIMITED

碧 桂 園 控 股 有 限 公 司

(於開曼群島註冊成立之有限公司)

(股份代號：2007)

海外監管公告

本海外監管公告乃由碧桂園控股有限公司(「**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條刊發。

茲提述本公司日期為2022年1月21日的公告(「**該公告**」)，內容有關卓見國際有限公司發行於2026年到期的3,900,000,000港元的4.95%有抵押擔保可換股債券。除另有界定者外，本公告所用的所有詞彙與該公告所界定者具有相同涵義。

請參閱隨附有關債券發行的發售通函(「**該發售通函**」)，該發售通函已刊載於新加坡證券交易所有限公司網站。

在聯交所網站刊載該發售通函僅為促使向香港投資者發佈同步資訊，並遵守上市規則第13.10B條，概無任何其他目的。

該發售通函並不構成在任何司法權區向公眾人士提呈出售任何證券的發售章程、通告、通函、宣傳冊或廣告，亦非邀請公眾人士提出認購或購買任何證券的要約，且不旨在邀請公眾人士提出認購或購買任何證券的要約。

該發售通函不應被視為誘導認購或購買本公司任何證券，亦不擬進行該等誘導。投資的決策不應以該發售通函所載的資料為依據。

承董事會命
碧桂園控股有限公司
總裁兼執行董事
莫斌

中國廣東省佛山市，2022年2月10日

於本公告日期，執行董事為楊國強先生(主席)、楊惠妍女士(聯席主席)、莫斌先生(總裁)、楊子莹女士、楊志成先生、宋軍先生及蘇柏垣先生。非執行董事為陳翀先生。獨立非執行董事為黎明先生、石禮謙先生、唐滙棟先生、黃洪燕先生及杜友國先生。

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the ''**Offering Circular**''). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. In order to review the attached Offering Circular or make an investment decision with respect to the securities, you must not be located in the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to UBS AG Hong Kong Branch[1] (the ''**Sole Bookrunner**'') that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1993, as amended (the ''**Securities Act**'') (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, (4) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are not a ''connected person'' (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''**Listing Rules**'')) of Country Garden Holdings Company Limited (the ''**Company**''), which includes but is not limited to any director, chief executive or substantial shareholder of the issuer or any of its subsidiaries or any associate of any of them within the meaning of the Listing Rules, and (4) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are, and will immediately after completion of the offering of such securities be, independent of and not acting in concert with, any of such connected persons in relation to the control of the issuer.

Section 309B(1) Notification — In connection with Section 309B of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the ''**SFA**'') and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the ''**CMP Regulations 2018**''), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds (as defined herein) are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Sole Bookrunner or any affiliate of the Sole Bookrunner is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Bookrunner or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular 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 this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

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

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

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1 UBS AG incorporated in Switzerland with limited liability.

OFFERING CIRCULAR STRICTLY CONFIDENTIAL

SMART INSIGHT INTERNATIONAL LIMITED

(incorporated in the British Virgin Islands with limited liability)

COUNTRY GARDEN

碧桂園

COUNTRY GARDEN HOLDINGS COMPANY LIMITED

碧 桂 園 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2007)

HK$3,900,000,000 4.95 per cent. Secured Guaranteed Convertible Bonds due 2026
Issue Price: 100 per cent.

The HK$3,900,000,000 4.95 per cent. Secured Guaranteed Convertible Bonds due 2026 (the ''**Bonds**'', which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the *Terms and Conditions of the Bonds* and consolidated and forming a single series therwith) will be issued by Smart Insight International Limited (the ''**Issuer**''). The Bonds will be guaranteed by the Company and the Subsidiary Guarantors (as defined in ''*Terms and Conditions of the Bonds*''). None of the Company's subsidiaries that are organised under the laws of the People's Republic of China (the ''**PRC**'') will guarantee the Bonds. The issue price of the Bonds shall be 100 per cent. of the aggregate principal amount of the Bonds and the denominations of each Bond shall be HK$2,000,000 each and integral multiples thereof. The Bonds do not bear any interest.

The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Each Guarantee (as defined in the Conditions) constitutes direct, unsubordinated, unconditional and secured obligations of the Company and each Subsidiary Guarantor, respectively. The payment obligations of the Company and each Subsidiary Guarantor under their respective Guarantees shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations. The Bonds are secured rateably and on a *pari passu* basis with the obligations of the Company by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents (unless otherwise defined, each such capitalized term having the meaning ascribed to it in the Conditions).

Each Bondholder (as defined in the Conditions) has the right to convert the Bonds held by it into ordinary shares of par value HK$0.10 each in the share capital of the Company (the ''**Shares**'') at any time during the Conversion Period (as defined in the Conditions). The price at which the Shares will be issued upon conversion (the ''**Conversion Price**'') will initially be HK$8.10 per Share. The Conversion Price is subject to adjustment in accordance with the Conditions. The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the ''**Hong Kong Stock Exchange**'') on 20 January 2022 was HK$6.96 per Share.

Unless previously redeemed, converted or purchased and canceled as provided in the Conditions, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 28 July 2026. On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem all, but not some only, of the Bonds at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid (a) on the occurrence of certain tax-related events or (b) if, prior to the date of such notice being given, Conversion Rights (as defined in the Conditions) shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds original issued (which shall for this purpose include any further bonds issued in accordance with the Conditions and consolidated and forming a single series therewith), in each case, pursuant to and in accordance with the Conditions. If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days (as defined in the Conditions), on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange (as defined in the Conditions)) or (b) there is a Change of Control (as defined in the Conditions), the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at the redemption price equal to their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as of such date. The holder of each Bond will have the right to require the Issuer to redeem such Bond on 28 January 2024 at a redemption price equal to its principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as of such date. See ''Terms and Conditions of the Bonds''

Approval in-principle for the listing of the Bonds has been received from the Singapore Exchange Securities Trading Limited (the ''**SGX-ST**''). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company or any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange.The Bonds are not intended to be initially placed and may not be initially placed to ''connected persons'' of the Issuer as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''**Listing Rules**'') (''**Connected Persons**''). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and the Sole Bookrunner that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Sole Bookrunner that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the ''**SFC**''), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Bonds and the Shares involves certain risks. See ''*Risk Factors*'' beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''**Securities Act**'') and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds may only be offered outside the United Sates in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see ''*Subscription and Sale*''.

The Bonds will be initially represented by a global certificate (the ''**Global Certificate**'') registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (''**Euroclear**'') and Clearstream Banking S.A. (''**Clearstream**'', together with Euroclear, the ''**Clearing Systems**''). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator and Sole Bookrunner

UBS

The date of this Offering Circular is 25 January 2022.

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES 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 CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds (the ''**Offering**'') described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

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

The attached offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom (the ''**UK**'') by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the ''**EUWA**'').

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

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

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the ''**SFA**'') and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the ''**CMP Regulations 2018**''), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Each of the Issuer, the Company, having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Company and their respective subsidiaries taken as a whole (collectively, the ''**Group**'') and to the issue of the Bonds and Shares, which is material in the context of the issue and offering of the Bonds (including all information which, according to the particular nature of the Issuer, the Company, the Group and of the Bonds and the Shares, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and of the rights attaching to the Bonds and the Shares), (ii) all statements of fact relating to the Issuer, the Company, the Group and to the Bonds and the Shares contained in this Offering Circular are in all material respects true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Company, the Group and to the Bonds and the Shares the omission of which would in the context of the issue of the Bonds make any statement in this Offering Circular misleading in any material respect, (iii) the opinions and intentions expressed with regard to the Issuer, the Company and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions and (iv) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements. This Offering Circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Issuer, the Company and the Group. Each of the Issuer and the Company accepts full responsibility for the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Sole Bookrunner to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see ''*Subscription and Sale*''.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Sole Bookrunner, Citicorp International Limited as the trustee (the ''**Trustee**'') or the Agents (as defined in ''*Terms and Conditions of the Bonds*''). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Sole Bookrunner, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. None of the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company, the Sole Bookrunner, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the terms of the Offering, including the merits and risks involved. See ''*Risk Factors*'' for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Sole Bookrunner or any person affiliated with any of the Sole Bookrunner in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accept any responsibility for the contents of this Offering Circular. Each of the Sole Bookrunner, the Trustee and the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Sole Bookrunner, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them.

In connection with the issue of any Bonds, the Sole Bookrunner is its role as stabilising manager (the ''**Stabilising Manager**'') (or persons acting on behalf of a Stabilising Manager) may, to the extent permitted by applicable laws and directives, over-allot and/or effect transactions with a view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail for a limited period after the closing date. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end after a limited period.

Certain definitions, conventions and currency presentation

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. References to ''**we**'', ''**us**'' ''**our**'' or the ''**Company**'' are to Country Garden Holdings Company Limited. References to the ''**Group**'' are to the Issuer, the Guarantor and their respective subsidiaries taken as a whole.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or our or its respective directors and advisors, and neither us, the Initial Purchasers nor our or its respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information 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 addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular 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 Bonds, including the merits and risks involved.

In this Offering Circular, all references to ''US$'' and ''U.S. dollars'' are to United States dollars, the official currency of the United States; all references to ''HK$'' 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**''); all references to ''RMB'' or ''Renminbi'' are to the Renminbi, the official currency of the People's Republic of China.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.4566 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 30 June 2021, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7658 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 30 June 2021. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see ''Exchange rates.''

Reference to the ''2018 Loan'' are to our €300 million term loan facility. See ''Description of other material indebtedness—Offshore facility agreements.''

References to the ''2019 Club Loan'' are to the dual tranche transferable term loan facilities denominated in both H.K. dollars and U.S. dollars in an aggregate amount equivalent to approximately US$1,377.3 million for a term of four years. See ''Description of other material indebtedness—Offshore facility agreements.''

References to the ''2020 Club Loan'' are to the dual tranche term loan facilities denominated in HK$ and US$ in an aggregate amount of approximately US$1,500.0 million for a term of 48 months. See ''Description of other material indebtedness—Offshore facility agreements.''

References to the ''2021 Club Loan'' are to our HK$6,076 million and US$559 million dual tranche term loan facility. See ''Description of other material indebtedness — Offshore facility agreements.''

References to the ''2022 Notes'' are to our 4.75% senior notes due 2022 issued on 25 July 2017 in the aggregate principal amount of US$700 million. See ''Description of other material indebtedness—2022 Notes.''

References to ''2023 Convertible Bonds'' are to our HK$7,830,000,000 4.50% secured guaranteed convertible bonds due 2023 issued on 5 December 2018.

References to the ''2026 Notes'' are to our 5.625% senior notes due 2026 issued on 15 December 2016 in the aggregate principal amount of US$350 million. See ''Description of other material indebtedness—2026 Notes.''

References to the ''April 2024 Notes'' are to our 6.50% senior notes due 2024 issued on 8 April 2019 in the aggregate principal amount of US$550 million. See ''Description of other material indebtedness—April 2024 Notes.''

References to the ''April 2026 Notes'' are to our 7.25% senior notes due 2026 issued on 8 April 2019 and 18 July 2019 in the aggregate principal amount of US$1,350 million. See ''Description of other material indebtedness—April 2026 Notes.''

References to the ''August 2030 Notes'' are to our 4.8% senior notes due 2030 issued on 6 August 2020 in the aggregate principal amount of US$500 million. See ''Description of other material indebtedness—August 2030 Notes.''

References to the ''December 2018 Loan'' are to our HK$3,970 million and US$560.5 million dual tranche transferable term loan facility with a greenshoe option for a term of 36 months and 24 months, respectively. See ''Description of other material indebtedness—Offshore facility agreements.''

References to the ''February 2026 Notes'' are to our 4.2% senior notes due 2026 issued on 6 August 2020 in the aggregate principal amount of US$500 million. See ''Description of other material indebtedness—February 2026 Notes.''

References to the ''January 2022 Notes'' are to our 7.125% senior notes due 2022 issued on 27 September 2018 in the aggregate principal amount of US$425 million. See ''Description of other material indebtedness—January 2022 Notes.''

References to the ''January 2023 Notes'' are to our 4.75% senior notes due 2023 issued on 17 January 2018 and 31 July 2018 in the aggregate principal amount of US$625 million (the ''January 2023 Notes''). See ''Description of other material indebtedness—January 2023 Notes.''

References to the ''January 2024 Notes'' are to our 8.000% senior notes due 2024 issued on 27 September 2018 and 25 January 2019 in the aggregate principal amount of US$1,000 million. See ''Description of other material indebtedness—January 2024 Notes.''

References to the ''January 2025 Notes'' are to our 5.125% senior notes due 2025 issued on 17 January 2018 and 4 September 2018 in the aggregate principal amount of US$750 million. See ''Description of other material indebtedness—January 2025 Notes.''

References to the ''January 2027 Notes'' are to our 5.125% senior notes due 2027 issued on 14 January 2020 in the aggregate principal amount of US$550 million. See ''Description of other material indebtedness—January 2027 Notes.''

References to the ''January 2030 Notes'' are to our 5.625% senior notes due 2030 issued on 14 January 2020 in the aggregate principal amount of US$450 million. See ''Description of other material indebtedness—January 2030 Notes.''

References to the ''January 2031 Notes'' are to our 3.3% senior notes due 2031 issued on 12 January 2021 in the aggregate principal amount of US$700 million. See ''Description of other material indebtedness—January 2031 Notes.''

References to the ''May 2025 Notes'' are to our 5.4% senior notes due 2025 issued on 27 May 2020 in the aggregate principal amount of US$544 million. See ''Description of other material indebtedness—May 2025 Notes.''

References to the ''October 2025 Notes'' are to our 3.125% senior notes due 2025 issued on 22 October 2020 and 18 May 2021 in the aggregate principal amount of US$1,000 million. See ''Description of other material indebtedness—October 2025 Notes.''

References to the ''October 2030 Notes'' are to our 3.875% senior notes due 2030 issued on 22 October 2020 in the aggregate principal amount of US$500 million. See ''Description of other material indebtedness—October 2030 Notes.''

References to the ''January 2026 Notes'' are to our 2.7% senior notes due 2026 issued on 12 January 2021 and 20 July 2021 in the aggregate principal amount of US$700 million. See ''Description of other material indebtedness — January 2026 Notes.''

References to the ''September 2025 Notes'' are to our 6.15% senior notes due 2025 issued on 17 September 2019 in the aggregate principal amount of US$500 million. See ''Description of other material indebtedness—September 2025 Notes.''

References to ''contracted sales'' refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this Offering Circular should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this Offering Circular should not be unduly relied upon as a measure or indication of our current or future operating performance. See ''Risk factors—Risks relating to our business—Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales.''

References to the ''DB Guarantee'' are to the deeds of guarantee entered into by each of the Subsidiary Guarantors dated 9 May 2017, whereby the Company's obligations under the DB ISDA Agreement (as defined below) will be unconditionally and irrevocably guaranteed by the Subsidiary Guarantors.

References to the ''DB Hedging Documents'' are collectively to the DB Guarantee and the DB ISDA Agreement.

References to the ''DB Hedging Obligations'' are to the amounts due from the Company and the Subsidiary Guarantors under the DB Hedging Documents.

References to the ''DB ISDA Agreement'' are to the ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated 9 May 2017.

References to the ''Existing Notes'' are to the 2022 Notes, the January 2022 Notes, the January 2023 Notes, the January 2024 Notes, the April 2024 Notes, the January 2025 Notes, the September 2025 Notes, the 2026 Notes, the April 2026 Notes, the January 2027 Notes, the January 2030 Notes, the May 2025 Notes, the February 2026 Notes, the Original Notes, the August 2030 Notes, the October 2025 Notes, the October 2030 Notes, the January 2026 Notes and the January 2031 Notes.

References to the ''GS Guarantee'' are to the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated 30 June 2016, whereby the Company's obligations under the GS ISDA Agreement (as defined below) will be unconditionally and irrevocably guaranteed by the Subsidiary Guarantors.

References to the ''GS Hedging Documents'' are collectively to the GS Guarantee and the GS ISDA Agreement.

References to the ''GS Hedging Obligations'' are to the amounts due from the Company and the Subsidiary Guarantors under the GS Hedging Documents.

References to the ''GS ISDA Agreement'' are to the ISDA 2002 Master Agreement as modified by the schedule to the 2002 Master Agreement entered into by the Company and Goldman Sachs International dated 30 June 2016.

References to the ''PRC'' and ''China'' are to the People's Republic of China and, for the purposes of this Offering Circular, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (''Macau''), or Taiwan. The ''PRC government'' or the ''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 ''Rights Issue'' are to our rights issue on 13 October 2014 of 1,271,988,736 rights shares of the Company at the subscription price of HK$2.50 each on the basis of one rights share for every 15 existing shares held on the relevant record date.

Unless otherwise stated, the site area and GFA data at our property developments presented in this Offering Circular do not include the site area and GFA attributable to our hotel properties or planned hotel developments.

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

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

Forward-looking statements

This Offering Circular includes ''forward-looking statements.'' All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operation, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include, the words ''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:

- the performance of the property market in places in which we engage in property development;
- future developments in the property market in places in which we engage or may engage in property development;
- the global economic environment and industry outlook generally;
- the availability of and changes to bank loans and other forms of financing;
- changes in political, economic, legal and social conditions in the places in which we engage or may engage in property development, including government policies concerning land supply, the availability and cost of project financing and mortgage financing, pre-sales, and the pricing and volume of our property developments;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to manage our growth and our geographically diversified business;
- our ability to acquire and develop land;
- cost and supply of construction materials and labor;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- the timely repayments by purchasers of our properties of mortgage loans guaranteed by us;

- the performance of the obligations and commitments of our joint venture partners under the existing and future joint venture agreements;

- changes in currency exchange rates;

- delay in obtaining proper legal titles for our properties or necessary government approvals for our operations; 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 Circular. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Offering Circular. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Offering Circular might not occur in the way we expect, or at all.

Enforcement of civil liabilities

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor is also incorporated outside the United States in jurisdictions such as the British Virgin Islands (''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 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, the PRC), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or such persons or to enforce against us or any of the Subsidiary Guarantors or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors expect to appoint Law Debenture Corporate Service Inc. as our and their respective agent to receive service of process with respect to any action brought against us or the Subsidiary Guarantors in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Subsidiary Guarantors 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.

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

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

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

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules) according to Hong Kong rules;

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

(d) is based on foreign penal, revenue or other public law; or

(e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal counsel, Commerce & Finance Law Offices, and our Cayman Islands legal counsel, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC and the Cayman Islands, respectively, would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and the Cayman Islands, respectively, against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

Exchange rates

PRC

The People's Bank of China (''PBOC'') sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of the Renminbi into foreign currencies, including H.K. dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange (''SAFE'') and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day and makes it the central parity for the trading against the Renminbi on the following working day. On 18 May 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on 16 April 2012 and 2.0% on 17 March 2014. PBOC authorized the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. The International Monetary Fund announced on 30 September 2016 that, effective 1 October 2016, the Renminbi will be added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

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

	Noon buying rate			
Period	**Period end**	**Average(1)**	**High**	**Low**
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
July	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October	6.4050	6.4172	6.4485	6.3820
November	6.3640	6.3889	6.4061	6.3640
December	6.3726	6.3693	6.3772	6.3435
2022				
January (through 21 January 2022)	6.3385	6.3604	6.3822	6.3385

Source: Federal Reserve H.10 Statistical Release

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

Hong Kong

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

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK$7.80 to US$1.00, or at all.

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

	Noon buying rate			
Period	**Period end**	**Average(1)**	**High**	**Low**
		(HK per US$1.00)		
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7727	7.8094	7.7515
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September	7.7850	7.7807	7.7877	7.7708
October	7.7790	7.7793	7.7871	7.7725
November	7.7967	7.7896	7.7993	7.7819
December	7.7996	7.7990	7.8034	7.7914
2022				
January (through 21 January 2022)	7.7864	7.7926	7.8001	7.7851

Source: Federal Reserve H.10 Statistical Release

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

Presentation of financial information

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (''HKFRS''), which differ in certain material respects from International Financial Reporting Standards (''IFRS''). Our reporting currency is the Renminbi. See ''Risk factors—Risks relating to the Bonds—There may be less publicly available information about us than is available in certain other jurisdictions.''

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.
''Hong Kong Stock Exchange''	The Stock Exchange of Hong Kong Limited
''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 use rights certificate''	certificate issued by a local property and land resources bureau with respect to the land use rights.
''land use rights transfer agreement''	an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
''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.km.''.	square kilometer(s).
''sq.m.''.	square meter(s).

Summary

The following summary is qualified in its entirety by, and is subject to, the detailed information and the financial statements contained elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Investors should read the entire Offering Circular, including the section entitled ''Risk Factors'' and the financial statements and related notes thereto, before making an investment decision.

Overview

We are one of the leading integrated property developers in the PRC, with a majority of our assets and operations in the PRC and an expanding footprint of operations outside the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration. We separately listed our property management subsidiary, Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) (''CG Services''), on the main board of the Hong Kong Stock Exchange on 19 June 2018. Our residential home projects are generally located in urban and suburban areas of cities all throughout the PRC. As of 30 June 2021, approximately 27% of our residential sales have been in first and second tier cities and the remaining 62% in third and fourth tier cities. As of 30 June 2021, we had 3,157 projects at various stages of development. Of these projects, 582 were located in Guangdong Province: 59 in Guangzhou City, 65 in Dongguan City, 60 in Foshan City, 35 in Jiangmen City, 60 in Huizhou City, 30 in Zhaoqing City, 30 in Qingyuan City, 27 in Meizhou City, 21 in Zhongshan City and the remaining in various other cities. We also had 2,545 projects located outside Guangdong Province, spanning 22 provinces, five autonomous regions and four municipalities in the PRC.

In December 2011, we expanded our operations outside of the PRC for the first time, with a project in Malaysia and further expanded into Australia in October 2013. Since the commencement of our overseas expansion, we have continued to grow our operations outside of the PRC and, as of 30 June 2021, we had a total of 30 projects outside of the PRC. As of 30 June 2021, we had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England. See ''Risk factors—We may not be successful in our overseas expansion'' and ''Description of the Company—Description of our property projects.'' While we intend on exploring additional opportunities to expand our business outside of the PRC we expect the overwhelming majority of our future revenues to continue being generated by our property development business in the PRC.

As of 30 June 2021, our projects in the PRC had an aggregate saleable completed GFA of approximately 266,987,033 sq.m. We had an aggregate saleable GFA under development of approximately 174,967,939 sq.m. and an aggregate saleable GFA of approximately 95,070,904 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, our total revenue was RMB379,079 million, RMB485,908 million, RMB462,856 million, RMB184,957 million and RMB234,930 million (US$36,386 million), respectively, and our EBITDA was RMB79,530 million, RMB95,379 million, RMB81,376 million, RMB34,142 million and RMB35,644 million (US$5,521 million), respectively.

Our shares have been listed on the Hong Kong Stock Exchange since 20 April 2007 under stock code 2007.

Competitive strengths

- We are one of the largest property developers in the PRC with one of the largest, most geographically diversified, and lowest-cost land banks;

- We have an established business model, which we believe has been successfully replicated in the markets where we operate;

- Our standardized operations enable us to provide high-quality and competitively priced products to our customers and to achieve quick asset turnover and attractive margins;

- We have a strong brand in Guangdong Province with increasing recognition nationwide; and

- We have a highly effective management structure, experienced management team and professional workforce.

Business strategies

- Continue to focus on core property development business with a well balanced mix of property developments within and outside Guangdong Province;

- Continue to focus on developing properties having an attractive value-to-price ratio;

- Maintain prudent financial management policies;

- Further strengthen our leading position and brand name recognition nationwide;
- Enhance effective internal management and controls;
- Implement our business diversification strategy; and
- Adhere to the goals of poverty alleviation and contributing to society.

Recent Developments

Unaudited Operating Figures

For the year ended 31 December 2021, we, together with our joint ventures and associates, achieved contracted sales attributable to the shareholders of the Company amounted to approximately RMB558.00 billion, with contracted sales GFA attributable to the shareholders of the Company of approximately 66.41 million square meters.

The preliminary figures disclosed above are derived from our management information, and are subject to change and may differ from those appear in our audited and unaudited financial statements to be published on yearly and half-yearly basis. The information shall not be taken as a measure or an indication of our current or future operating or financial performance. As such, the information disclosed above is strictly for information only and not for any other purposes. Investors are advised not to place any reliance on the information disclosed herein but to exercise due caution when dealing in the securities of the Company. Any investor who is in doubt is advised to seek advice from his/her professional advisors.

Issuance of Senior Notes

On 20 July 2021, we issued additional January 2026 Notes in an aggregate principal amount of US$200 million (the ''Additional January 2026 Notes''). See ''Description of other material indebtedness.''

Payment of Dividend

On 24 August 2021, we announced the amount of the interim dividend payable in Hong Kong dollars will be HK$25.26 cents per share, with the eligible shareholders, other than certain shareholders whose addresses as shown are outside Hong Kong, being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. Such interim dividend has been dispatched to eligible shareholders on 26 November 2020.

Partial Redemption of Convertible Bond

On 6 December 2021, certain holders of the 2023 Convertible Bond have exercised their put options under the terms and conditions of the 2023 Convertible Bond and accordingly, we redeemed and cancelled a principal amount of approximately HK$4.5 billion of the 2023 Convertible Bond, and the outstanding principal amount of the 2023 Convertible Bond immediately after the partial redemption was HK$3.0 billion.

Partial Repurchase of Senior Notes

On 15 December 2021, certain holders of the 2026 Notes have exercised their put options under the terms of the 2026 Notes and accordingly, we repurchased and cancelled a principal amount of approximately US$26.31 million of the 2026 Notes, and the outstanding principal amount of the 2026 Notes immediately after the partial repurchase was US$323.69 million.

On 30 December 2021, we announced the repurchase of an aggregate principal amount of US$14,100,000 of the January 2022 Notes from the open market and we would cancel the repurchased January 2022 Notes accordingly.

On 17 January 2022, we announced the repurchase of an aggregate principal amount of (i) US$5,000,000 of the 2022 Notes and (ii) US$5,000,000 of the April 2026 Notes from the open market and we would cancel the repurchased 2022 Notes and April 2026 Notes accordingly.

COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. After taking effective control measures by the Chinese government, the pandemic has been brought under control in China. However, the pandemic is far from over, especially with the emergence of new variants such as the Delta variant. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. The adverse impact of COVID-19 on our construction and sales operations as well as on property buyers may have a material adverse impact on our business, financial condition, results of operation, performance and prospects. We cannot assure you that our business, financial condition and results of operation will not be materially and adversely affected. See ''Risk Factors—Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic.''

General Information

We were incorporated in the Cayman Islands on 10 November 2006, as an exempted company with limited liability, with the registered number 177345. Our principal place of business in the PRC is at Country Garden, Beijiao Town, Shunde District, Foshan, Guangdong, 528312, PRC. Our principal place of business in Hong Kong is at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our website is *bgy.com.cn*. Information contained on our websites does not constitute part of this Offering Circular.

The Offering

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. For a more complete description of the Bonds, please refer to the section of this Offering Circular entitled ''Terms and Conditions of the Bonds.'' Phrases used in this summary and not otherwise defined shall have the meaning given to them in the section entitled ''Terms and Conditions of the Bonds''.

Issuer . . . . Smart Insight International Limited.

Guarantees . . . . The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed (as defined in the *Terms and Conditions of the Bonds*).

Each initial Subsidiary Guarantor has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

Each Subsidiary Guarantor's and the Company's obligations in the above respect (the ''**Guarantees**'') are contained in the Trust Deed. Each Guarantee constitutes direct, unsubordinated, unconditional and secured obligations of the Company and each Subsidiary Guarantor, respectively. The payment obligations of the Company and each Subsidiary Guarantor under their respective Guarantees shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

The initial Subsidiary Guarantors as of the Issue Date are:

(i) Smart World Development Holdings Ltd;

(ii) Angel View International Limited;

(iii) Boavista Investments Limited;

(iv) Estonia Development Ltd;

(v) Falcon Investments Development Ltd;

(vi) Impreza Group Limited;

(vii) Infiniti Holdings Development Limited; and

(viii) Country Garden (Hong Kong) Development Company Limited.

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

The Company will cause each of its future Subsidiaries which guarantees the payment of amounts payable under any Notes or any Indenture to execute and deliver to the Trustee a supplemental trust deed to the Trust Deed (a ''**Supplemental Trust Deed**'') pursuant to which each such Subsidiary will guarantee the payment of any amount payable under the Bonds or the Trust Deed on a *pari passu* basis with the obligations of the Company under the Notes and the Indentures. Each Subsidiary of the Company that guarantees the Bonds after the Issue Date, upon execution of the applicable Supplemental Trust Deed, will be a ''**Subsidiary Guarantor**''.

A Subsidiary Guarantor shall be simultaneously released from its obligations under its Guarantee upon the release of the Subsidiary Guarantor from its guarantee in respect of the Notes. The Trust Deed provides that no release of a Subsidiary Guarantor from the relevant Subsidiary Guarantee shall be effective against the Trustee or the Bondholders until the Company has delivered to the Trustee an officer's certificate stating that all requirements relating to such release and discharge have been complied with and that such release and discharge is authorised and permitted under the Trust Deed and the Security Documents (as defined in the *Terms and Conditions of the Bonds*).

''**Indenture**'' means

(a) the indenture dated 12 January 2021 (as amended, restated and/or supplemented from time to time) between, among others, the Company, the Subsidiary Guarantors and Citicorp International Limited as trustee of the Notes; and

(b) any other indenture or other agreement or instrument (i) under which any Notes were issued or constituted; or (ii) otherwise contains the terms and conditions of any Notes;

''**Notes**'' means:

(a) the 2.70 per cent. Senior Notes due 2026 (XS2280833133); and

(b) any indebtedness of the Company represented by debentures, bonds, notes or other similar securities or instruments (for the avoidance of doubt, excluding loans) which benefit from guarantees which rank *pari passu* with the guarantees provided on any other Notes (or, if the Notes referred to in paragraph (a) above have been redeemed, any bond or senior notes issued on a similar basis as such Notes).

Guarantors . . . . Country Garden Holdings Company Limited and each Subsidiary Guarantor.

Security . . . . The obligations of the Issuer and the Company under the Bonds and the Trust Deed, and of the Company and the initial Subsidiary Guarantors under the Guarantee and their respective Subsidiary Guarantees, are secured rateably and on a *pari passu* basis with the obligations of the Company under the Notes and the Indentures by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents (the ''**Security**'').

The Security is granted by the Company and the initial Subsidiary Guarantor Pledgors to Citicorp International Limited as Trustee and is evidenced by and subject to the terms of the Intercreditor Agreement and the Security Documents. Pursuant to the terms of the Intercreditor Agreement the Security is shared on a *pari passu* basis with the holders of the Notes.

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, Infiniti Holdings Development Limited, Falcon Investments Development Ltd, and Impreza Group Limited.

The Company will procure that any Further Security Interests granted by the Company or any future Subsidiary Guarantor Pledgor after the Issue Date securing the obligations of the Company under the Notes and the Indentures or of a Subsidiary Guarantor under its Subsidiary Guarantee, is also granted to the Trustee for the benefit of the Bondholders on a *pari passu* basis to secure the obligations of the Issuer under the Bonds and the Trust Deed and of such Subsidiary Guarantor and the Company under their respective Guarantees. Each future Subsidiary Guarantor Pledgor that grants such further Security after the Issue Date, upon the granting of the further Security, will be a ''**Subsidiary Guarantor Pledgor**''.

	Subject to compliance with provisions of the Trust Deed, any Security created in respect of the Collateral shall be released upon the release, pursuant to the relevant indenture, of any *pari passu* Security Interest in respect of the same Collateral for the Notes.
Bonds	HK$3,900,000,000 4.95 per cent. Secured Guaranteed Convertible Bonds due 2026. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer passed on or around 20 January 2022.
Issue Price.	The Bonds will be issued at 100 per cent. of their principal amount.
Issue Date.	28 January 2022.
Maturity Date	28 July 2026.
Redemption at Maturity	Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on 28 July 2026.
Status of the Bonds . . .	The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank equally with all its other present and future unsecured and unsubordinated obligations.
Conversion Right	The Bonds are convertible (unless previously redeemed or purchased and cancelled) at any time on and after 10 March 2022 up to (a) close of business (at the place where the Certificate (as defined in ''*Terms and Conditions of the Bonds*'') evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days (as defined in ''*Terms and Conditions of the Bonds*'') prior to the Maturity Date (both days inclusive) (but, except as provided in the Conditions (as defined in ''*Terms and Conditions of the Bonds*''), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (at the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond, up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice.

Conversion Price	The Conversion Price (as defined in ''*Terms and Conditions of the Bonds*'') will initially be HK$8.10 per Share. The Conversion Price is subject to adjustment described in the Conditions. See ''*Terms and Conditions of the Bonds — Conversion*''.
Negative Pledge	Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its Subsidiaries will, create or permit to subsist or arise any Security Interest (except for any Further Security Interest that is permitted by the Conditions) upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company or the Issuer's obligations under the Bonds are secured equally and rateably by the same Security Interest or, at the option of the Issuer or the Company (as applicable), by such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution of the Bondholders.

Permitted Pari Passu Secured Indebtedness

On or after the Issue Date and subject to the Trust Deed, the Company and each Subsidiary Guarantor Pledgor may create further Security Interests on the Collateral *pari passu* with the Security for the benefit of the Trustee and the Bondholders to secure indebtedness of the Company (including any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) or any Subsidiary Guarantor and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such indebtedness (such indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Subsidiary Guarantee, ''**Permitted Pari Passu Secured Indebtedness**''); provided that (1) the holders of such indebtedness (other than any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; and (2) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Officers' 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 substantially as set forth in the Security Documents, and an opinion of legal counsel of recognized standing in relation to the Security Documents in form and substance reasonably satisfactory to the Trustee. The Trustee will be permitted and authorised, without the consent of the Bondholders, to enter into any amendments to the Security Documents, the Indenture or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Bondholders and the holders of Permitted *Pari passu* Secured Indebtedness).

''**Pari Passu Subsidiary Guarantee**'' means a guarantee by any Subsidiary Guarantor of indebtedness of the Issuer, the Company, and any Subsidiary Guarantor (including in respect of any further Bonds issued under Condition 16); provided that such guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

Redemption for Taxation Reasons	The Bonds may be redeemed, at the option of the Issuer, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, to the Paying Agent and to the Bondholders at at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as of such date, if (a) the Issuer (or if the Guarantees were called, the Company or any Subsidiary Guarantor) has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company), the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor (in the case of a payment by any Subsidiary Guarantor) or, in each case, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 January 2022, and (b) such obligation cannot be avoided by the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no tax redemption notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.
Redemption at the Option of the Issuer . .	On giving not less than 30 nor more than 60 days' notice to the Trustee, to the Principal Paying Agent, and to the Bondholders, in writing, the Bonds may be redeemed by the Issuer in whole, but not in part, at at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as of such date, at any time if Conversion Rights (as defined in ''*Terms and Conditions of the Bonds*'') shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds issued.

Redemption for Relevant Event	Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds at a redemption price equal to at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as of such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the ''**Relevant Event Redemption Notice**'') together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer. ''**Relevant Event**'' occurs: (i) when the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 15 consecutive Trading Days on the Relevant Stock Exchange (as defined in ''*Terms and Conditions of the Bonds*''); or (ii) when there is a Change of Control (as defined in ''*Terms and Conditions of the Bonds*'').
Redemption at the Option of the Bondholders	The holder of each Bond will have the right to require the Issuer to redeem such Bond on 28 January 2024 (the ''**Optional Put Date**'') at a redemption price equal to its principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as of such date. To exercise such option, the holder must surrender the Certificate representing such Bond to any Transfer Agent or the Registrar together with a duly completed exercise notice (the ''**Optional Put Exercise Notice**'') in the form obtainable from any Transfer Agent or the Registrar, not more than 60 nor less than 30 days prior to the Optional Put Date. An Optional Put Exercise Notice once delivered shall be irrevocable and the Issuer shall redeem the Bonds the subject of the relevant Optional Put Exercise Notice on the Optional Put Date.
Form and Denomination of Bonds	The Bonds are issued in registered form in the denomination of HK$2,000,000 each and integral multiples thereof. The Bonds will upon issue be represented by the Global Certificate which on the Closing Date will be deposited with, and registered in the name of a nominee of, a common depository.

Clearance	The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.
Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a common depository, payments of principal and interest (if any) in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United States, United Kingdom, Hong Kong, Singapore, Japan, the PRC, the British Virgin Islands and the Cayman Islands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see ''*Subscription and Sale*''.
Listing	Approval in-principle for the listing and quotation of the Bonds has been received from the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the the Issuer, the Company or any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK$200,000 with a minimum of ten lots to be traded in a single transaction for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Bonds 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 such Bonds may be presented or surrendered for payment or redemption in the event that the Global Certificate is exchanged for Bonds in their definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in their definitive form, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

The Company has received in-principle approvals for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange and has undertaken to apply to have the Shares, issuable upon conversion of the Bonds, approved for listing on the Hong Kong Stock Exchange and any Alternative Stock Exchange (as defined in ''*Terms and Conditions of the Bonds*'') on which its Shares are listed from time to time.

Trustee . . . . Citicorp International Limited.

Principal Agent . . . . Citibank N.A., London Branch.

Registrar. . . . . Citibank Europe Plc

Governing Law . . . . The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, the laws of England.

Use of Proceeds . . . . . . See ''Use of Proceeds.''

Lock-up	Each of Concrete Win Limited and Ms. Yang Huiyan, and neither the Issuer, the Company nor any of its Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from 20 January 2022 up to 90 days after the Closing Date (both dates inclusive), without the prior written consent of the Sole Bookrunner, (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any Interest in, any Shares or securities of the same class as the Bonds or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as them (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for the Bonds and any New Shares issued pursuant to the conversion provisions of the Bonds.
Rating of the Bonds . . .	The Bonds are not, and are not expected to be, rated by any rating agency.
ISIN.	XS2434313016.
Common Code	243431301.
Issuer Legal Entity Identifier	549300EOTSWYWE1BC269

Summary consolidated financial and other data

The following tables present our summary financial and other data. The summary financial data as of and for each of the fiscal years ended 31 December 2018, 2019 and 2020 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020 and included elsewhere in this Offering Circular. The summary financial data as of and for each of the six months ended 30 June 2020 and 2021 (except for EBITDA data) is derived from our unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2021 and included elsewhere in this Offering Circular. The unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2021 has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the Hong Kong Institute of Certified Public Accountants. The results for interim period are not indicative of the results for the full year.

Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from IFRS.

The Company has adopted HKFRS 16 ''Leases'' (''HKFRS 16'') retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognized in the opening balance sheet on 1 January 2019. For details, please refer to notes to our audited consolidated financial statement as of and for the year ended 31 December 2019 included elsewhere in this Offering Circular. As such, the audited consolidated financial information as of and for the year ended 31 December 2019 may not be directly comparable against the Company's consolidated financial information as of and for the year ended 31 December 2018.

The summary financial data below should be read in conjunction with the consolidated financial information and the related notes included elsewhere in this Offering Circular.

The Company's financial results for any past years or periods are not and should not be taken as an indication of the Company's performance, financial position and results in future years or periods.

Summary consolidated income statement and consolidated statement of comprehensive income information

(in millions, except percentages)	For the year ended 31 December				Six months ended 30 June		
	2018	2019	2020	2020	2020	2021	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	379,079	485,908	462,856	71,687	184,957	234,930	36,386
Cost of sales	(276,603)	(359,271)	(361,951)	(56,059)	(140,070)	(188,646)	(29,218)
Gross profit	102,476	126,637	100,905	15,628	44,887	46,284	7,168
Other income and gains—net	4,344	3,288	2,816	436	1,880	1,739	269
Gains/(losses) arising from changes in fair value of and transfer to investment properties	1,732	126	13	2	3	(48)	(7)
Selling and marketing costs	(12,533)	(16,365)	(13,752)	(2,130)	(6,894)	(7,700)	(1,193)
Administrative expenses	(16,601)	(17,538)	(13,919)	(2,156)	(6,574)	(6,213)	(962)
Net impairment losses on financial and contract assets	(1,176)	(1,515)	(1,449)	(224)	(854)	(551)	(85)
Research and development expenses	(1,224)	(1,973)	(2,649)	(410)	(1,030)	(1,291)	(200)
Operating profit	77,018	92,660	71,965	11,146	31,418	32,220	4,990
Finance income	2,445	2,371	7,344	1,137	2,508	2,181	338
Finance costs	(1,097)	(1,200)	(38)	(6)	(622)	(278)	(43)
Finance income—net	1,348	1,171	7,306	1,132	1,886	1,903	295
Share of results of joint ventures and associates	1,197	5,108	6,258	969	2,583	3,122	484
Profit before income tax	79,563	98,939	85,529	13,247	35,887	37,245	5,769
Income tax expenses	(31,021)	(37,737)	(31,411)	(4,865)	(13,961)	(14,825)	(2,296)
Profit for the year/period	48,542	61,202	54,118	8,382	21,926	22,420	3,472
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
— Change in fair value of financial assets at fair value through other comprehensive income	107	195	826	128	(289)	372	58
— Revaluation gains on properties upon transfer from right-of-use assets	—	91	—	—	—	27	4
Items that may be reclassified to profit or loss:							
— Deferred gains/(losses) on cash flow hedges	35	(36)	(115)	(18)	(240)	4	1
— Deferred (costs)/gains of hedging	(1,099)	487	843	131	217	(53)	(8)
— Currency translation differences	(67)	(565)	(753)	(117)	112	(416)	(64)
Total other comprehensive (loss)/income for the year/period, net of tax	(1,024)	172	801	124	(200)	(66)	(10)
Total comprehensive income for the year/period, net of tax	47,518	61,374	54,919	8,506	21,726	22,354	3,462
Profit attributable to:							
— Owners of the Company	34,618	39,550	35,022	5,424	14,132	14,996	2,323
— Non-controlling interests	13,924	21,652	19,096	2,958	7,794	7,424	1,150
	48,542	61,202	54,118	8,382	21,926	22,420	3,472
Total comprehensive income attributable to:							
Owners of the Company	33,619	39,749	35,925	5,564	13,852	14,926	2,312
Non-controlling interests	13,899	21,625	18,994	2,942	7,874	7,428	1,150
	47,518	61,374	54,919	8,506	21,726	22,354	3,462
Dividends	10,580	12,445	10,032	1,554	4,528	4,717	731
Other Financial Data (unaudited)							
EBITDA[(1)]	79,530	95,379	81,376	12,604	34,142	35,644	5,521
EBITDA Margin[(2)]	21.0%	19.6%	17.6%	17.6%	18.5%	15.2%	15.2%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and right-of-use assets and amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the indentures governing the Existing Notes.

The following table reconciles our operating profit under HKFRS to our definition of EBITDA for the periods indicated:

	For the year ended 31 December				Six months ended 30 June		
(in millions)	**2018**	**2019**	**2020**	**2020**	**2020**	**2021**	
	(RMB)	**(RMB)**	**(RMB)**	**(US$)**	**(RMB)**	**(RMB)**	**(US$)**
				(Unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Operating profit	77,018	92,660	71,965	11,146	31,418	32,220	4,990
Adjustments:							
Interest income	2,445	2,371	4,102	635	2,508	1,350	209
Depreciation of property, plant and equipment and investment property	909	1,099	1,536	238	517	972	151
Amortization of land use rights	63	—	—	—	—	—	—
Depreciation of right-of-use assets . . .	—	332	328	51	201	142	22
Amortization of intangible assets	72	117	203	31	120	129	20
Net foreign exchange gains/(losses). . .	(977)	(1,200)	3,242	502	(622)	831	129
EBITDA.	79,530	95,379	81,376	12,604	34,142	35,644	5,521

Note:

(1) Represents amortization of land use rights for properties other than those held for development and subsequent sale, such as hotel properties.

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

Summary consolidated statement of financial position information

(in millions)	As of 31 December 2018	2019	2020	2020	As of 30 June 2021	2021
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Non-current assets						
Property, plant and equipment	23,421	24,240	26,345	4,080	26,624	4,124
Investment properties	16,435	12,923	15,659	2,425	15,147	2,346
Intangible assets	670	745	1,423	220	1,408	218
Land use rights	2,496	—	—	—	—	—
Right-of-use assets	—	4,447	4,858	752	4,956	768
Properties under development	107,812	134,150	106,696	16,525	75,719	11,727
Investments in joint ventures	27,891	34,954	41,011	6,352	46,684	7,230
Investments in associates	18,768	17,159	22,430	3,474	21,923	3,395
Financial assets at fair value through other comprehensive income	1,796	3,282	3,985	617	3,775	585
Derivative financial instruments	992	2,648	812	126	18	3
Trade and other receivables	10,962	14,056	13,968	2,163	14,700	2,277
Deferred income tax assets	18,701	27,031	36,466	5,648	39,941	6,186
	229,944	275,635	273,653	42,383	250,895	38,859
Current assets						
Properties under development	626,937	810,300	1,034,664	160,249	1,055,306	163,446
Completed properties held for sale	44,338	45,781	49,587	7,680	60,762	9,411
Inventories	8,822	11,781	10,907	1,689	9,566	1,482
Trade and other receivables	426,397	438,195	410,937	63,646	391,410	60,622
Contract assets and contract acquisition costs	17,094	24,020	21,960	3,401	23,153	3,586
Prepaid income tax	21,350	24,712	23,781	3,683	24,785	3,839
Restricted cash	14,200	19,363	16,470	2,551	18,317	2,837
Cash and cash equivalents	228,343	248,985	167,153	25,889	167,921	26,008
Financial assets at fair value through profit or loss	12,019	7,933	6,596	1,022	15,232	2,359
Derivative financial instruments	250	447	101	16	116	18
	1,399,750	1,631,517	1,742,156	269,826	1,766,568	273,607
Current liabilities						
Contract liabilities	562,800	646,996	695,614	107,737	724,271	112,175
Trade and other payables	498,821	594,548	660,293	102,266	619,047	95,878
Receipts under securitization arrangements	794	279	—	—	—	—
Current income tax liabilities	30,783	40,367	39,519	6,121	32,539	5,040
Senior notes	2,238	7,343	2,219	344	3,941	610
Corporate bonds	23,964	28,850	25,784	3,993	18,022	2,791
Convertible bonds	8,051	22	20	3	19	3
Bank and other borrowings	91,844	80,057	68,218	10,566	64,839	10,042
Lease liabilities	—	258	208	32	214	33
Derivative financial instruments	111	32	1,084	168	1,237	192
Dividend payable	—	—	—	—	5,508	853
	1,219,406	1,398,752	1,492,959	231,230	1,469,637	227,618
Net current assets	180,344	232,765	249,197	38,596	296,931	45,989
Total assets less current liabilities	410,288	508,400	522,850	80,979	547,826	84,847
Non-current liabilities						
Senior notes	39,478	57,550	71,191	11,026	71,017	10,999
Corporate bonds	17,944	17,550	14,696	2,276	19,892	3,081
Convertible bonds	5,117	5,495	5,252	813	5,350	829
Bank and other borrowings	139,839	172,736	139,105	21,545	141,155	21,862
Lease liabilities	—	651	447	69	504	78
Deferred government grants	249	215	152	24	238	37
Deferred income tax liabilities	32,224	32,763	32,472	5,029	30,406	4,709
Derivative financial instruments	2,029	2,832	2,532	392	1,588	246
	236,880	289,792	265,847	41,174	270,150	41,841
Equity attributable to owners of the Company						
Share capital and premium	27,881	29,751	31,495	4,878	31,611	4,896
Other reserves	8,247	12,472	17,457	2,704	15,667	2,427
Retained earnings	85,202	109,716	126,150	19,538	137,203	21,250
	121,330	151,939	175,102	27,120	184,481	28,572
Non-controlling interests	52,078	66,669	81,901	12,685	93,195	14,434
Total equity	173,408	218,608	257,003	39,805	277,676	43,007
Total equity and non-current liabilities	410,288	508,400	522,850	80,979	547,826	84,847

Risk factors

In addition to other information in this Offering Circular, you should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operation. If any of the possible events described below occurs, our business, financial condition or results of operation could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

Risks relating to our business

We are heavily dependent on the performance of the property market in the PRC, particularly in Guangdong Province, and, to a lesser extent, the markets overseas into which we have expanded our operations

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operation. A substantial portion of our property developments are located in Guangdong Province as well as other first, second, third and fourth-tier cities in the PRC. We established our business by developing private residential properties in Shunde District in 1997 and began expanding our project development activities to other locations in Guangdong Province in 1998. As of 30 June 2021, we had developed or were developing 582 projects in Guangdong Province and 2,545 projects outside Guangdong Province in the PRC. The projects in Guangdong Province and outside Guangdong Province in the PRC have an aggregate GFA (including completed properties, properties under development and properties for future development) of approximately 140,559,261 sq.m. and 396,466,615 sq.m., respectively. As of 30 June 2021, we also had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England. Although we are pursuing further business opportunities in other locations, we intend to maintain and increase our market share in Guangdong Province.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Guangdong Province, the PRC or any other market in which we currently have operations. In addition, we cannot assure you that there will not be an over-supply of properties in any of the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real GDP growth in the PRC slowing to 2.3% as of 31 December 2020 from 10.6% in 2010), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operation. In addition, recent industry reports on China's property market have projected decreasing sales volumes and sales prices in the near term, and such reports estimate that those decreases will negatively impact property developers and put downward pressure on their credit ratings. Demand for, and prices of, properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. Since 2011, the PRC government has taken measures to control inflation and slow price increases in the property market. See ''—Risks relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry's growth.'' Government policies aimed at reducing local government and corporate debt levels could also reduce liquidity in the economy, which in turn may affect the property market. In addition, since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such recent defaults make it difficult for Chinese property developers and potential property purchasers to obtain onshore and offshore financing, and result in low market confidence in and low demand for China real estate and increased market volatility. There is no guarantee that such situation will improve in the short term, and the property market may not continue to grow and may even experience significant contraction. In addition, there may be more developers who are unable to pay their debt when due and default on their indebtedness and we cannot assure you that we will be able to refinance our existing indebtedness and/or pay our debts when due. Any adverse development in the condition of the property market in the PRC, or in other places where we conduct our operations, could have a material adverse effect on our business, financial condition and results of operation.

Increasing competition in the PRC may adversely affect our business, financial condition and results of operation

In recent years, a large number of property developers have undertaken property development and investment projects in Guangdong Province and elsewhere in the PRC. Our major competitors include large regional, national and overseas property developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than we have. In addition, we also compete with small local homebuilders.

The intensity of the competition among property developers in Guangdong Province and other parts of the PRC for land, financing, raw materials and skilled management and labor resources may result in increased land acquisition and operational costs, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, financial condition and results of operation.

In addition, the property markets in Guangdong Province and elsewhere in the PRC are rapidly changing. If we cannot respond to changes in market conditions in Guangdong Province or elsewhere or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operation and financial condition could be adversely affected.

We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations

The property development business is capital intensive. We finance our business primarily through a combination of internal funding, bank borrowings, capital markets financing and pre-sales and sales proceeds. We have also entered into trust financing arrangements for funding requirements. See ''Description of other material indebtedness.'' Further, our cash flow position may be impacted where purchasers of our properties who choose to pay the purchase price in full without taking out a mortgage do not pay the full purchase price on time. We also offer payment installment plans for our customers and may not collect the full purchase price upfront further impacting our cash flow. We cannot assure you that we will have sufficient cash flow available for land acquisitions 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, recent negative news relating to certain Chinese property companies has also had a significant effect on the property sector in China. Such recent defaults might have an adverse impact on property sales in China and the ability of Chinese property companies to obtain onshore and offshore financing and/or refinance its existing indebtedness and we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

As of 30 June 2021, we had RMB324,235 million (US$50,218 million) of outstanding borrowings (including bank and other borrowings, senior notes, the 2023 Convertible Bonds and corporate bonds), of which RMB86,821 million (US$13,447 million) were short-term borrowings (including the current portion of long-term bank and other borrowings, senior notes, the 2023 Convertible Bonds, and corporate bonds). Our total interest expense on bank and other borrowings, receipts under securitization arrangements, convertible bonds, senior notes, lease liabilities and corporate bonds for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 was RMB19,129 million, RMB24,489 million, RMB23,278 million and RMB9,791 million (US$1,516 million), respectively.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors that are beyond our control including, among other things, the economic environment in the PRC and other markets in which we operate, financial market conditions and monetary policies of the governments. In addition, tightened government control over financing available to property developers, together with rising land, raw material and labor costs, especially since the outbreak of the COVID-19 pandemic, could materially and adversely affect our ability to raise capital to fund our business expansion. For example, the PRC government has in the past taken a variety of policy initiatives in the financial sector to tighten lending to property developers including, among other things:

- forbidding PRC commercial banks from extending loans to property developers to finance land premiums;

- restricting PRC commercial banks from extending loans for the development of luxury residential properties;

- restricting the granting or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;

- restricting the granting or extension of revolving credit facilities to property developers that have a history of being included in land-related abuses, including misconduct related to changing the use of land, postponing construction or completion of projects or hoarding property;

- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- forbidding property developers from using borrowings obtained from any local banks to fund property developments outside that local region;

- restricting private equity and asset management plans to make investments into ordinary residential property projects located in certain popular cities such as Beijing, Shanghai, Guangzhou and Shenzhen; and

- prohibiting the use of private equity products to finance property developers, including paying land grand fees, providing working capital loans and down payment facilities.

In addition, PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC by adjusting them from time to time. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits made by their customers. Increases in the bank reserve requirement ratios may negatively affect the amount of funds available to commercial banks in China to lend to businesses, including us. In recent years, PBOC has increased the benchmark lending rates and bank reserve requirement ratios multiple times to curtail the overheating of the PRC property sector. Since 16 August 2019, commercial banks shall use the loan prime rate published by the National Interbank Funding Centre of the PRC for pricing lending interest rates. The current reserve requirement ratio ranges from 9.5% to 11.5%. In August 2020, the Ministry of Housing and Urban-Rural Development of the PRC (''MOHURD'') and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. And more recently, there have been reports that the PRC government may start to restrict financing available to property developers by reference to their debt related ratios such as gearing ratio.

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

According to public media reports, on 21 August 2021, the Ministry of Natural Resources and other relevant governmental departments have held a joint meeting to impose conditions on granting state-owned land use rights to property developers, including setting price ceiling and requiring property developers to retain a portion of the property developed. No official announcement was published as of the date of this Offering Circular and our ability to raise capital for business operation and expansion may be adversely affected if the PRC government officially imposes further conditions for land bidding, auction or listing for sale.

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 to 50% of the total land premium and required the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting a minimum price for land transfers of at least 70% of the benchmark price for land in the surrounding locality and requiring a bidding deposit of at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract must be entered into within 10 working days of closing and the 50% down payment (taking into account any deposits previously paid) paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the contract date in accordance with provisions of such contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure that property developers are acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. On 27 June 2018, NDRC emphasized in a press release that the proceeds from offshore bond offerings of PRC property enterprises shall be mainly used for the repayment of existing debt and shall be restricted from being used for onshore or offshore property project investment or working capital. On 12 July 2019, NDRC published the ''Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises'' (關於對房地產企業發行外債申請備案登記有關要求的通知) on its website, which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts that will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. If the real estate developer does not comply with these restrictions, it may not be able to obtain foreign debt registrations in the future. 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, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general.

If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and business prospects may be materially and adversely affected. You may find additional information in respect of the key terms of our other material indebtedness under the section entitled ''Description of other material indebtedness.'' We cannot assure you that we will be able to maintain the relevant financial ratios from time to time nor that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material and adverse effect on our financial condition.

We may not be successful in expanding into new markets and new types of property developments

Since 2006, we have gradually expanded our operations into 21 provinces, five autonomous regions and four provincial level municipalities beyond Guangdong Province in the PRC and intend on continuing such expansion as we grow our business. As we continue our geographic expansion in the PRC we will compete with developers who have an established local presence or are more familiar with local regulatory and business practices, any of which may give them a competitive advantage over us. Moreover, we are normally required to make significant capital investments for land acquisition, development planning, construction and other aspects of operations when we enter into a new market. Should we fail to successfully manage our continuing expansion within the PRC or otherwise encounter operational constraints, our expansion within the PRC could be negatively impacted, which would have a material and adverse effect on our business, financial condition and results of operation.

In addition to our geographic expansion, we have also been expanding the types of property projects that we develop. Our current plans include projects that differ significantly from our past and current projects in terms of style of development, targeted customers and business segments. Our primary experience to date has been in developing high quality residential properties for sale and construction, the fitting of those properties, management of residential developments, and hotel operations. We have plans to expand into the business of developing office buildings in other areas in the PRC for our own use or for leasing to other companies. Our expansion into developments beyond high quality residential developments is a relatively new line of business for us, and we cannot assure you that it will be successfully managed or completed. Any failure in this regard would have a material and adverse effect on our business, financial condition and results of operation.

We may not be successful in our overseas expansion

We expanded our operations outside of the PRC for the first time in December 2011 and have continued such overseas expansion since then, which has involved operating in markets in which we have no established operations or track record of success. As of 30 June 2021, we had a total of 30 projects outside the PRC, which were either completed, under construction or set for future development. In December 2011, we commenced development of a project in Malaysia and further expanded into Australia in October 2013. As of 30 June 2021, we had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England. See ''Description of the Company—Description of our property projects.''

When opportunities arise, we expect to continue to expand our overseas operations into new markets. Such new markets may differ from our existing markets in terms of levels of economic development, topography, religion and culture, legal and regulatory practices and requirements, level of familiarity with contractors, business practices and customs as well as customer taste, behavior and preferences. Differences that exist in these new markets may also make it harder for us to secure local financing for our projects. In addition, when we enter into new markets, we will likely compete with developers who have established local presences, are more familiar with local regulatory and business practices and have stronger relationships with local contractors, which may give them competitive advantages over us. In addition, we are also developing projects which are significantly larger in scope with numerous added complexities than those of the projects we have completed in the past, particularly our Country Garden Forest City project, in Iskandar, Malaysia. The current design plan of Country Garden Forest City calls for the construction of artificial islands, a type of construction we have never attempted before, following which we will construct several large, multi-tiered buildings on top of the artificial islands. We cannot assure you that we will be able to successfully complete a project of this scale or complexity, any failure in this regard would have a material adverse impact on our business, financial condition and results of operation.

We may not be able to obtain a sufficient number of sites or retain sites suitable for property developments

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream is dependent on our ability to complete and sell our property developments and subsequently collect the price of the sale in full. To maintain or grow our business in the future, we will be required to replenish our land bank with land bank suitable for development. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which property developers, including us, obtain land bank for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property developments through public tender, auction or listing-for-sale. We are required to follow these procedures to acquire land use rights to desirable sites from the government, which may result in higher land premiums than those we previously paid. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land bank generally in the PRC. If we fail to acquire sufficient land bank in a timely manner and at acceptable prices, or at all, our business prospects, results of operation and financial condition may be materially and adversely affected.

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. For example:

- one initiative requires local governments, when approving new residential projects after 1 June 2006, to ensure at least 70% of their annual land supply (in terms of estimated GFA) consists of units that are less than 90 sq.m. in size;

- in an announcement made on 30 May 2006, the Ministry of Land and Resources of the PRC (the ''Ministry of Land and Resources'', which has been reorganized as the Ministry of Natural Resources) has stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing);

- pursuant to the ''Catalog of Restricted Use of Land (2012 Version Supplement)'' (限制用地項目目錄(2012年本增補本)) and the ''Catalog of Prohibited Use of Land (2012 Version Supplement)'' (禁止用地項目目錄(2012年本增補本)) issued by the Ministry of Land and Resources in May 2012, the area of a parcel of land granted for commodity housing development shall not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities, and the plot ratio must exceed 1.0;

- the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知) issued by the State Council of the PRC (the ''State Council'') on 17 April 2010 also reiterated that the government will give high priority to supplying more affordable housing;

- according to the ''Circular Concerning Issues on Strengthening Real Estate Land Supply and Supervision'' (《關於加強房地產用地供應和監管有關問題的通知》) promulgated by the Ministry of Land and Resources on 8 March 2010, the supply of the land to be developed for indemnificatory housing, renovation of rundown residential areas and small or medium size self-use commercial housing shall be no less than 70% of the total land supply. Moreover, land supply for large-sized residential housing construction shall be strictly restricted, villa project shall be suspended and the area of a single parcel of land granted for commercial housing shall be strictly restricted; and

- the Notice on Continuing to Improve the Regulation and Control of Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) issued by the General Office of the State Council on 26 February 2013, which requires, among other things, expanding the development of ordinary commodity housing units and increasing the supply of land.

Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development, see ''—The PRC government has implemented restrictions on the payment terms for land use rights.'' The PRC government also controls land supply through zoning, land use regulations and other means. Furthermore, there have been recent reports that the PRC government may adopt and promote a more centralized land grant policy for selected regions and cities. All these measures may potentially tighten land supply and further intensify the competition for land in China among property developers.

More recently, on 21 May 2021, the Ministry of Finance (the ''MOF''), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the ''STA'') and the PBOC jointly issued the ''Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums'' (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations, shall be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from 1 July 2021 in certain selected provinces and has been carried out nationwide from 1 January 2022. We cannot assure you that such scheme will not have any material impact on the regional and local government's land grant process and other aspects of property development in general in the PRC, which may in turn adversely affect our operations in the regions affected.

As of 30 June 2021, we had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England. We may have additional operations outside of China in the future, the success of which will also be subject to the relevant local government's policies and control over land supply and the property sector in general.

These policy initiatives and other measures adopted from time to time by the government of the various jurisdictions in which we operate may limit our ability to acquire suitable land for development or significantly increase land acquisition costs, which may have a material adverse effect on our business, financial condition and results of operation.

Our land may be forfeited to the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer, or require the developer to forfeit the land. Under current PRC laws and regulations, if we fail to commence development within one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20.0% of the land premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture by the PRC government unless the delay in development is caused by PRC government actions, force majeure or necessary preparatory work. Further, pursuant to the ''Notice on Enhancing the Economical and Intensive Use of Land'' (國務院關於促進節約集約用地的通知) promulgated by the State Council on 3 January 2008, this policy was revised, stating, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) before June 2008, all provincial, regional and municipal governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the Ministry of Land and Resources and other authorities are required to research and commence drafting implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low-rent housing, economy housing, limited price housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

Moreover, according to the ''Notice on Implementation of the State Council's Certain Opinions on Resolving Residence Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply'' (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) issued by the Ministry of Land and Resources on 30 September 2007, even if commencement of the land development is in compliance with the land grant contract, the land will be treated as idle land and the property developer may be restricted or prevented from participating in future bidding for land if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) there has been a suspension of the development of the land for over one year in time without government approval. This notice also calls for control over supply of large land parcels and states that the development period for an individual parcel of land in principle should not exceed three years. On 1 June 2012, the Ministry of Land and Resources revised and promulgated the Measure for the Disposal of Idle Land (閒置土地處置辦法), that became effective on 1 July 2012 which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. For more information on regulation, please refer to the section headed ''Regulation—Legal supervision relating to property sector in the PRC—D. Development of a property project—(a) Land for property development.'' Parcels of land for certain property projects in the PRC have been under idle land investigation or even been deemed as idle land for failing to commence construction within the required time period as stipulated in the land grant contracts. For example, one of our project company in Haikou, Hainan Province and one of our project company in Hengyang, Hunan Province were required to pay idle land fee and land premium of approximately RMB2,804 million and RMB2 million respectively as parcels of land have been regarded as idle land and the project company in Hengyang has fully paid the aforesaid idle land fee of approximately RMB2 million while the project company in Haikou is in the process of negotiating with the local governmental authority to pay the aforesaid idle land fee and land premium by installments as of this Offering Circular. Although the delays in the commencement of construction or the completion of certain of our property development did not lead to forfeiture of land, we cannot assure you that circumstances leading to forfeiture of land or payment of idle land fees will not arise in the future. If we are required to forfeit land, to pay idle land fees or even to pay appreciation land premium, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development and other costs incurred up to the date of forfeiture, and our business, financial condition and results of operation may be adversely affected.

We have recorded negative cash flows from operating activities in the past and are exposed to risks relating to pre-sales of properties

In the past, we have experienced negative cash flows. We cannot assure you that we will not experience negative operating cash flows in the future. If we record negative operating cash flows again in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition and results of operation.

We depend on cash flows from pre-sales of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of properties and may use pre-sales proceeds to finance only the developments wherein such properties are located. In the past several years, a number of government authorities and officials have proposed to limit or abolish the pre-sales of properties and recently, the Guangdong Real Estate Association issued a notice in September 2018 to solicit provincial developers' views on phasing out the system of pre-sales of properties. These recommendations have not been adopted by the PRC government and have no enforceability. However, we cannot assure you that the PRC government will not ban or implement further restrictions on the pre-sales of properties, such as imposing additional conditions for pre-sale permits or further restrictions on the use of pre-sales proceeds. In addition, the central and local governments in the PRC have enhanced the enforcement of the restrictions on the use of pre-sale proceeds in the recent months. Any such measure will adversely affect our cash flows and force us to seek alternative sources of funding for our property development business.

Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable

Many purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing. An increase in minimum down payment requirements for mortgage financing may reduce the attractiveness of mortgages as a source of financing for property purchases. Either of those measures or the suspension of mortgage financing may adversely affect the affordability of residential properties, which in turn could have a material adverse effect on our business, financial condition and results of operation.

Since 2003, the PRC government has promulgated a range of laws, regulations and government policies regarding mortgage financing as a means to regulate the PRC property market. While the intent of these has generally been to reduce perceived speculation in the property market, during the global financial crisis the PRC government implemented a number of measures designed to stimulate the economy, including lowering the down payment requirements for purchasing residential properties and PBOC benchmark bank lending rates. However, since the fourth quarter of 2009, the PRC government has again enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures currently in place include:

- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves (住房公積金) to buy an ordinary home for self-use;

- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of another new residential property using housing reserves to improve living conditions where the purchaser owns a residential property and has paid off its existing mortgage loan;

- requiring a minimum down payment of at least 30% of the purchase price for the acquisition of the purchaser's first ordinary residential property, and in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, such minimum down payment is reduced to 25% in principle which can be further adjusted downward by 5% by local authorities. Since September 2014, the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property;

- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period. Since September 2014, in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies; and

- suspending the availability of housing reserve loans where the purchase is for a third (or further) residential property.

For commercial property buyers, PRC banks are not allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has been increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou, Hainan province and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Any of which may have a negative impact on our business, financial condition and results of operation. In September 2018, Beijing issued new rules further tightening the availability of housing provident fund loans. On 25 August 2019, PBOC issued the People's Bank of China No.16 [2019] Announcement, under which, starting from 8 October 2019, new commercial individual housing loans should be determined by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflecting the loan risk profile, and remain fixed during the contract period. The interest rate of loans for first-time home purchasers should not be lower than the LPR of corresponding maturity, and the interest rate of loans for second-time home purchasers should not be lower than the LPR of corresponding maturity plus 60 basis points. Effective from 1 January 2021, PRC banks (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by PBOC and CBIRC and calculated based on the total amount of RMB loans extended by such PRC banks.

For more information on the regulations adopted by the PRC government relating to property financing, including dates of promulgation and authorizing governmental entities, see ''Regulation—Legal supervision relating to property sector in the PRC—F. Property financing.'' Property purchasers in the PRC have been and will continue to be affected by these regulations and their amendments as may be made thereto from time to time.

We cannot assure you that the PRC government will not further increase down payment requirements, restrain the amount of personal housing mortgage loans PRC banks can lend, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes would not adversely affect our business, financial condition and results of operation.

Construction operations are intrinsically dangerous and accidents may happen at construction sites

Operations at construction sites are intrinsically dangerous, involving the use of industrial machinery and the hoisting of heavy construction materials, typically within confined spaces. In addition, construction operations may also be affected by use of various contractors and adverse weather conditions. Any accident that occurs at our construction sites may have a material adverse effect on our business, financial condition and results of operation. Furthermore, the PRC governmental authorities may impose administrative penalties on us if we are found not fully complying with the relevant safety administration requirements of the construction sites.

For instance, in May 2020, one of our project companies in Hefei, Anhui Province has been required to suspend construction of its project as a result of failing complying with the relevant safety administration requirements. On 16 May 2020, an accident occurred at one of our projects in Guangxi, Yulin Country Garden, involving the fall of a construction elevator and resulting in the deaths of six construction workers. Local authorities have concluded investigations to which we were held to be partly responsible and were given an administrative fine.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. We commenced our expansion outside of China, but within the Asia Pacific region, in December 2011 with our first project in Malaysia and subsequently commenced operations in Sydney, Australia in October 2013, Bali, Indonesia, Jakarta, Indonesia, Delhi, India, Hong Kong, and Bangkok, Thailand. In addition to our expansion throughout Asia Pacific we have also commenced operations in New York, United States. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, especially projects outside Guangdong Province and operations outside China, we need to recruit and strengthen internal training for managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development needs. As of 31 December 2018, 2019 and 2020 and 30 June 2021, we had approximately 131,387, 101,784, 93,899 and 93,472 full-time employees, respectively. In order to fund our ongoing operations and future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties, which may have a different background and local practices than those in our traditional markets. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks including the risk of fraud or other misconduct by employees or third parties. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in adapting to local regulatory environment market conditions or culture, expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business or that our properties will be well received by the residents of the new markets. We cannot assure you that foreign exchange control and capital outflow policies of the PRC government relating to overseas property purchases will not adversely affect the sales generated by our overseas projects since a substantial portion of the purchasers of our overseas projects are, and are expected to continue to be PRC persons subject to the PRC government foreign exchange control and capital outflow policies. See ''—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business.'' We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operation and future prospects. Any change in political leadership or the stability of the regions where we operate could result in regional regulatory changes in the property development sector and have a material adverse effect on our business, financial condition and results of operation.

Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. On 7 May 2020, WHO declared COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, governments across the world have imposed travel restrictions and/or lockdown to contain its transmission. For example, China imposed lockdown on Wuhan and some other cities in Hubei Province on 23 January 2020; Italy imposed national lockdown on 9 March 2020; Spain imposed national lockdown on 14 March 2020; Belgium imposed national lockdown on 18 March 2020 and the United States have imposed stay home orders and other lock down measures since late March, 2020. There is no assurance that more countries will not impose similar travel restrictions or lockdowns in response to the pandemic or that the current containment measures will be effective in halting the pandemic.

The ongoing pandemic and containment measures may adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. The Caixin/Markit Manufacturing Purchasing Managers' Index (''PMI'') recorded a reading of 40.3 in February 2020, indicating that China's factory activity contracted in that month. Further, the Caixin/Markit Service PMI also indicated that services sectors contracted in China in February 2020. According to IHS Markit, the services sector in the U.S. also contracted in February 2020. There is no assurance that manufacturing and services sectors will not contract in other countries. The development of pandemic may adversely and materially affect economic growth globally due to reduce in demand and supply. On 2 March 2020 the Organization for Economic Co-operation and Development reduced 2020 GDP growth projects for almost all economies. Further, the pandemic may adversely and materially affect the stability of global financial markets. On 9, 12 and 16 March, trading on the New York Stock Exchange were halted for 15 minutes because S&P 500 trading price reached 7% below prior day's S&P 500 closing price. The unfolding pandemic may significantly reduce global market liquidity and depress economic activities. While the Caixin/Market Service PMI subsequently recovered to 50.7 and 51.2 in May 2020 and June 2020, respectively, there is no assurance that such trends will continue in China or would be seen in other countries. Furthermore, China's June manufacturing employment figures remained even weaker than the previous month as manufacturers remained cautious about increasing hiring.

Several cities in China where we have land bank and operations were under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious coronavirus. As a result, sales offices and construction of our development projects were temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. However, the pandemic is far from over, especially with the emergence of new variants such as the Delta variant. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operation, performance and prospects.

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

In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. More recently, trade tensions between the United States and China escalated, where both countries have increased tariff on certain products in their bilateral trade. China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the United States over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On 15 January 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the ''Phase I Agreement''). Under the Phase I Agreement, the United States agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the real estate industry remains uncertain.

Further, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union (''Brexit''). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union signed the Brexit trade deal on

30 December 2020 and the United Kingdom completed its separation from the European Union with effect from 1 January 2021. While the UK and EU had reached the trade deal, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the general demand for real estate property in the PRC, which may adversely impact our property sales. There is no assurance that further economic slowdown will not occur in the near future, or the PRC government's economic recovery will be sustainable or successful to address the economic slowdown. If market conditions deteriorate or a market downturn occurs again and becomes more severe, longer lasting or broader than expected, we could defer our expansion plans, delay our projects under development or face weakened sales and pre-sales which in turn could cause us to face a material loss of customers and revenue and our shareholder value and overall business prospects could be materially and adversely affected. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operation may be adversely affected.

The PRC government has implemented restrictions on the payment terms for land use rights

On 28 September 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on 1 November 2007. As a result, property developers are no longer allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, as had previously been the practice in many Chinese cities. On 18 November 2009, the MOF, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued 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), which raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions. On 8 March 2010, the Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and to pay the balance within one year of the contract date. On 26 January 2011, the State Council circulated Notice on Further Regulating the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides stricter management of housing land supply, among other things, that participants or individual biding on any land unit shall show proof of funding sources. On 13 May 2011, the Ministry of Land and Resources issued the ''Opinions on Maintaining and Improving the System for the Grant of Land by way of Tender, Auction and Listing'' (《關於堅持和完善土地招標

拍賣掛牌出讓制度的意見》). According to the opinions, the base price for the land grant will take into consideration factors such as applicable laws, the proposed development and utilization of the land, land price, time of payment, development and construction duration, construction methods, the usage of land and previous dealings with the enterprise. The MOHURD and the Ministry of Land and Resources jointly issued the ''Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply'' (關於加強近期住房及用地供應管理和調控有關工作的通知) dated 1 April 2017 which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

We may not be able to obtain land use rights certificates or land title with respect to certain parcels of land in which we currently have interests

We have entered into land grant contracts or land grant confirmation letters or sale and purchase agreements to acquire certain parcels of land for which we have not yet obtained land use rights certificates or land title and we have not paid up all the land grant premium for some of these land parcels. If we fail to complete the acquisition of these parcels of land in a timely manner, or at all, we will not be able to develop and sell properties on such land. We may not be able to acquire new land in replacement on terms acceptable to us, or at all. This would have a material adverse effect on our business, financial condition, results of operation and business prospects going forward. See ''Description of the Company—Description of our property projects.''

Our business and results of operation may be adversely affected if we fail to comply with, or if we fail to obtain, or there are material delays in obtaining, the requisite governmental approvals

The property industry is subject to extensive regulations whether in the PRC or any of the other markets in which we have operations, including Australia, India, Indonesia, Malaysia, the United States and Thailand. For example, to establish a property development subsidiary in China, we must go through various PRC governmental approval and filing or reporting procedures and obtain the requisite approvals and licenses for our investment in such 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. To undertake and complete a property development, a property developer must obtain permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of a set of conditions. Failure to obtain, or material delays in obtaining the requisite governmental approvals for any of our projects could give rise to potential liabilities and substantially disrupt the development and sale of our developments, which would result in a material adverse effect on our business, results of operation and financial condition.

We are currently applying for approval of the property development for certain projects. 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, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time and to which we are subject or the particular processes related to the granting of the approvals. 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 on time, failed to comply with approvals we had been granted and there have been some instances where certain of our project companies in the PRC were imposed administrative penalties by relevant authorities as a result of commencing construction of certain projects before obtaining construction permits or other relevant approvals. For example, one of our project companies in Huiyang were imposed fines of approximately RMB70 million (US$10.1 million) for commencing project construction before obtaining construction permits. In October 2017, one of our project companies in Henan were imposed fines of approximately RMB16 million (US$2.3 million) for commencing project construction before obtaining construction permits. In June 2021, one of our project companies in Anhui was imposed administrative penalties in the total amount of approximately RMB8.3 million as a result of not obtaining requisite planning permits as well as non-compliance with the relevant permits which have been obtained for certain property projects. There have also been instances where certain of our project companies in the PRC received administrative penalties imposed by the relevant governmental authorities as a result of using certain types of land, including forested land, as well as sea area without approvals from such governmental authorities. For example, in August 2017, one of the local oceanic authorities in Hainan issued an administrative penalty notice to one of our project companies and such project company was imposed with a fine of approximately RMB22.5 million (US$3.2 million) for reclamation development of sea area without requisite approvals. In April 2018, the local oceanic authorities in Hainan imposed an administrative fine of approximately RMB8.0 million (US$1.1 million) on one of our project companies and further suspended its project construction for failing to obtain approvals of environmental impact assessment before commencing construction. There have been some instances where certain of our project companies in the PRC failed to obtain pre-sale permits before commencing pre-sales. For example, one of our project companies in Qingyuan has been required by the local governmental authority to suspend construction and sale of certain parts of its project for failing to properly obtain pre-sale permits. If we fail to comply with, or if we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licenses and filings, our investment in our subsidiaries and the schedule of development and sale of our developments could be substantially disrupted, resulting in a material adverse effect on our business, financial condition and results of operation.

Our profit margin is sensitive to fluctuations in the cost of construction materials

Construction costs are one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as most of the material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by centralizing our procurement to lower our purchase costs. We also manage the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of principal construction materials such as steel and cement at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might be required to pay more to contractors under replacement contracts. Our profit margin is sensitive to changes in market prices for construction materials and our project margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

If we are not properly insulated from the rising cost of labor, the results of our operations may be adversely affected

As a result of economic growth and the boom in the property industry in the PRC, wages for construction workers have experienced increases in recent years. In addition, certain PRC laws, such as the Labor Law of the PRC, have enhanced the protection for employees and increased employer liability, which may further increase our labor costs. Under the terms of most of our construction contracts, the construction contractors are responsible for the wages of construction workers for our property development and bear the risk of fluctuations in wages during the term of the relevant contract. The contractors are also liable if they do not purchase work injury insurance for their workers as required. However, we are exposed to the price volatility of labor to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span several years, or if we choose to hire the construction workers directly. If we are unable to pass on any increase in the cost of labor, to either our construction contractors or to the purchasers of our properties, our results of operation may be adversely affected.

We are exposed to the risk of latent property defects

Latent property defects are those where substandard work is hidden and cannot be discovered by a reasonable inspection. Typically, such defects involve an element of the construction that cannot be seen by the naked eye because it is within a wall cavity or buried underground. There can be no assurance that our existing properties, those currently under development or planned for development do not contain and will not contain latent defects. Latent defects may have an adverse effect on our reputation and the value of and/or our ability to sell or lease a property and the costs of remedying any such defects may be material to us. Furthermore, we may incur significant liabilities from third parties in connection with latent defects, including the costs of remedying such defects and the consequential losses suffered by such third parties and any costs incurred by us that are not covered by warranties given by contractors, which may have an adverse effect on our business, financial condition and results of operation.

We are subject to legal and business risks if we fail to obtain or maintain qualification certificates

Property developers in the PRC must obtain a formal qualification certificate (資質證書) in order to develop property in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), newly established developers must first apply for a temporary qualification certificate (暫定資質證書), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in construction, or fitting and decoration are required to obtain qualification certifications in the Provisions on Administration of Qualification of Construction Enterprises (建築業企業資質管理規定). Property developers in the PRC are required to produce a valid qualification certificate when they apply for a pre-sale permit. If the 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. Experienced property developers must also apply for renewal of their qualification certificates every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

Qualification certificates for property developers are subject to renewal on an annual basis. In reviewing an application to renew a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or improper operations.

Each of our project companies, with the assistance of our group office, is responsible for the annual submission of its renewal application. If any one of our project companies is unable to meet the relevant qualification requirements, the local authorities will normally grant that project company, subject to a penalty of between RMB50,000 and RMB100,000, a grace period to rectify any insufficiency or non-compliance. Failure to satisfy the requirements within the specified time frame could result in rejection of the renewal application and revocation of the business license of the project company. As of the date of this Offering Circular, most of our project companies which are developing properties has obtained a valid qualification certificate except for certain project companies, which are in the process of applying for extension or alteration or issuance of the qualification certificates.

In addition, we have other non-property development related subsidiaries which also require qualification certificates to engage in their relevant operations. As of the date of this Offering Circular, these subsidiaries have obtained or are in the process of applying for the issuance or extension of such qualification certificates.

We cannot assure you that the qualification certificates of all of our existing project companies will continue to be renewed or extended or that formal qualification certificates for new project companies and our other non-property development related subsidiaries will be obtained in a timely manner, or at all. If our project companies or our other non-property development related subsidiaries are unable to obtain or renew their qualification certificates, as applicable, they will not be permitted to engage in or continue their businesses, which could have a material adverse effect on our business and financial condition.

We face significant property development risks before we realize any benefits from a development

Property developments typically require substantial capital outlays during the construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales or sales. The time and costs required to complete a property development may increase substantially due to many factors beyond our control, including the shortage or increased cost of material, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors, individually or in the aggregate, may lead to a delay in completing, or failure to complete a property development and result in costs substantially exceeding those originally budgeted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. In addition, if there is any negative news or report on our property development strategy or operation, we may suffer from negative publicity or reputation damage. As a result, our returns on investments, if any, might not be timely recognized or might be lower than originally expected.

Our investment properties are illiquid

Investments in properties are in general illiquid compared to many other types of investments. Therefore, our ability to sell one or more of our investment properties in response to changing economic, financial and investment conditions promptly, or at all, is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find a purchaser and to complete the sale of a property currently held or planned to be held for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to our tenant. In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before a property can be sold and we may not have sufficient funds available for such purposes. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our ability to retain tenants and to compete against our competitors and therefore our business, financial condition and results of operation may be materially and adversely affected.

We face risks relating to fluctuations of results of operation from period to period

Our results of operation tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we have begun to develop larger-scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger-scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, our revenue and profits, recognized upon the delivery of properties, are often lower in the first half of a year than in the second half, and we will continue to experience fluctuations in revenue and profits on an interim basis. As a result, our results of operation fluctuate and our interim results do not proportionally reflect our annual results.

We rely on independent contractors

We expect that as our business grows in terms of the number of projects and geographical coverage, we will engage independent contractors to provide various services, including design, construction and installation, engineering, construction supervision, fitting and decoration, most of which have been provided primarily by our own subsidiaries to date. Historically, a majority of our construction work in Guangdong Province was undertaken by Guangdong Giant Leap Construction Co., Ltd. (''Giant Leap Construction Co.''), our wholly owned subsidiary. As we have expanded to regions outside Guangdong Province, we have outsourced more construction work, which in turn has increased our reliance on independent contractors. While we may consider acquiring or setting up local construction companies in our major markets outside Guangdong Province, we expect that a substantial portion of our construction work outside Guangdong Province will continue to be undertaken by independent contractors. We cannot assure you of the availability of qualified independent contractors in the market at the time of our intended outsourcing, nor can we assure you that the services rendered by our independent contractors will always be satisfactory or meet our quality requirements. There have been instances where the independent contractors' performance was less than satisfactory, which in turn caused some quality issues and disputes between us and our customers. There have also been some instances where independent contractors failed to pay sub-contractors and as a result, we became parties to disputes related to such payments. While we endeavor to monitor the quality of our independent contractors' work, we cannot assure you that such issues will not arise in the future or that our business, results of operation, financial condition and reputation will not be materially and adversely affected as a result. Moreover, the completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operation.

We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect our business, cash flow, financial condition and results of operation

We face contractual risks relating to the pre-sales of properties. For example, if we fail to meet the completion deadlines stated in pre-sale contracts, purchasers of pre-sold units have the contractual right to claim damages. If we still fail to deliver the properties to the purchasers within the grace period stipulated in the contract, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3% from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. On 5 August 2005, PBOC recommended in the ''2004 Real Estate Financing Report'' that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the ''two meetings'' (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of PBOC put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to perfect the system for pre-sale of commodity properties (商品房) of China is to abolish the financing function of presale. On 24 July 2007, an economy research group under NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. According to media reports, on 21 September 2018 Guangdong Real Estate Association issued an Emergency Notice of Providing the Relevant Opinions on the Pre-sale Permit for Commodity Properties (關於請提供商品房預售許可有關意見的緊急通知) asking for opinions on the proposal of canceling the pre-sale system for commodity properties. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On 13 April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (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). The notice urges local governments to enact regulations on sale of completed commodity properties in light of local conditions, and encourages property developers to sell completed commodity properties. No local government has promulgated any such regulation for sale of completed commodity properties yet. Further, the PRC government can impose strict regulations on the advertising of pre-sales and the administration of pre-sale procedures and some of our project companies have been penalized for violations of such pre-sale regulations. For example, one of our project companies in Guian New Area, Guizhou Province has been required to suspend pre-sales of its project as a result of failing complying with the relevant requirements of pre-sale procedures. We cannot assure you that PRC government authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restrictions on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining a pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, cash flow, financial condition and results of operation.

Resettlement negotiations may add costs or cause delays to our development projects

Under PRC laws and regulations, we are not responsible for the demolition and removal work of a site for development, unless the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, then either of them may apply for a ruling from the relevant governmental authorities. If a party is not satisfied with the ruling, it may initiate proceedings in a PRC court within three months from the date of service of such ruling, which may cause delays to the development of projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant project and the recognition of sales as revenue upon completion, which may in turn adversely affect our business, financial position and results of operation.

We may not receive full compensation for assistance we provide to local governments to clear land for government land sales

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, pursuant to which the relevant authorities are responsible for land planning, resident relocation and constructing municipal supporting facilities and we are responsible for providing funding for the land clearance and relocation and offering management services. After the land clearance is complete and the land is otherwise suitable for public land sale, the relevant land authority will organize a sale through a public tender, auction or listing-for-sale process. Under the land clearance agreements, we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. According to the land clearance agreements, we have exclusive rights to clear the land, but do not have the exclusive right to acquire the land. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process and we are required to participate in such process if we want to acquire the land. We cannot assure you that we will win the bid in a timely manner or at all; nor can we assure you that the relevant land authority will achieve an optimal price for the sale of such land use rights. We cannot assure you that we will be reimbursed for the expenses that we incur in connection with such land clearance, nor can we assure you that we will receive any profit from such land use rights sales. In addition, we cannot assure you that the PRC government will not issue new laws or regulations which may revoke the reimbursement, profit allocation or other arrangements in the land clearance agreements that we have entered into with the local governments and, as a result, we may not be able to receive compensation for expenses we incurred in connection with the land clearance and allocation work. Further, the PRC State Council on 3 January 2008 issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. This requirement may limit our ability to participate in such land clearance work in the future.

We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments

We arrange for various banks to provide mortgage services to the purchasers of our properties in the PRC. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are guarantees which are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. Prior to 2003, we also provided guarantees for the mortgage loans of some of our customers which are discharged two years from the day the mortgage loans become due. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. For further information on our outstanding guarantees for the mortgage loans of our customers, see note 39 and note 37 to our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020 respectively.

Although we have experienced a low rate of default on the mortgage loans we guarantee, there is no assurance that the default rate will not increase in the future. If such an increase occurs and our guarantees are called upon, our business, financial condition and results of operation could be 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, including the project companies of our Malaysian projects and other joint venture entities described in this Offering Circular. 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.

There have also been instances where our joint ventures are involved in lawsuits caused by the relevant joint venture partners. We cannot assure you that we will not encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

Any unauthorized use of our brand may adversely affect our business, and our trademark licensees may conduct their business in a way that is detrimental to our brand image

Our brand receives high recognition in China. Any unauthorized use of our brand may have a negative impact on our brand image and adversely affect our business. In addition, we have granted a non-exclusive license to certain related parties to use our brand. We do not have control over the conduct of these licensees or other companies which may use our brand without our authorization. As a result, our business and reputation could be adversely affected due to any unauthorized use of our brand.

We have started expanding our operations into new industries and such expansion may not be successful

We have taken significant initiatives or made significant plans to expand into the agriculture, robotic technologies, artificial intelligence, cloud computing and digital data platforms, with a view to establishing alternative revenue sources. There is no assurance that we will be able to successfully leverage our experience in the property industry and replicate our success in other industries. Our expansion in general which may include acquisitions, investments, or other forms of cooperations with third parties and partners, will require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in new environments and markets, navigating different regulatory regimes and obtaining necessary governmental approvals, difficulties in gaining market recognition and competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, challenges developing the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management.

Moreover, our entries into new industries have exposed, or will expose us, to additional risks common to such industries. Operating in the agricultural and technology industries will elevate our risks in areas such as regulatory compliance, customer complaints and lawsuits. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operation.

We do not have insurance to cover potential losses and claims in our operations

We do not maintain insurance for the destruction of, or other damage to, all of our properties under construction. We carry property management liability insurance in connection with our property management business and accident insurance (i.e. employer’s liability insurance) for our construction workers; however, we do not maintain insurance against other personal injuries or property damage that may occur during the construction of our properties. We also do not carry insurance coverage for the non-performance of contracts during construction and other risks associated with construction and installation work during the construction period.

Moreover, there are certain contingent liabilities for which insurance is not available on commercially practicable terms, such as losses caused by earthquake, typhoon, flooding, war and civil disorder.

We may not have sufficient funds to offset any such losses, damages or liabilities or to replace any property development that has been destroyed in the course of our operations and property development. In addition, any payments we make to cover losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operation.

We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation 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, partners and purchasers. We may also be involved in disputes with various parties relating to our property management business including personal injury claims. These disputes may lead to legal or other proceedings, may result in substantial costs and diversion of resources and management's attention and may have a material adverse effect on our reputation and our ability to market and sell our properties. We have been involved in disputes with our customers with respect to quality of our properties and time of delivery and we may receive negative publicity from other potential disputes with customers in the future. We also have been involved in disputes with independent contractors with respect to project payment. In addition, most of our projects consist of multiple phases, and 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 representations and warranties we made to them. There have also been instances where land or buildings belonging to certain of our PRC subsidiaries have been sealed off by courts in the PRC for disputes such PRC subsidiaries are involved in, which may in turn affect such subsidiaries' filing sale and purchase agreements with the construction authorities in respect of the land or buildings being sealed off and may even lead to disputes with the customers who have purchased properties underlying these land or buildings. Further, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. There have been instances where we were involved in disputes with local regulatory bodies relating to our business operations or the administrative decisions or penalties regarding certain issues such as construction planning and tax made by the relevant regulatory bodies to us and we have also been fined administratively in the past for selling and marketing practices that were considered in breach of relevant regulations. For instance, in April 2020, one of our project company in Haikou, Hainan Province was required to pay surcharge of RMB138 million for overdue payment of sea area using fee and such project company has applied to the local authority for administrative reconsideration and the local authority finally determined that our project company in Haikou was not required to pay the aforesaid surcharge. We cannot assure you that any disputes with parties involved in the development and sale of our properties in the future would not have a material adverse effect on our business, financial condition and results of operation or have a negative impact on our reputation or the ''Country Garden'' brand. Any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, corruption, or alleged corruption by us or any of our directors, officers or other agents, or any investigation in relation to such failure or alleged failure or corruption or alleged corruption by any regulatory body, could also materially and adversely affect our reputation, business, financial condition and results of operation.

We are not engaged in any litigation or arbitration of material importance and we are not aware of any material litigation or claim pending or threatened by or against us. However, we cannot assure you that we will not be engaged in any litigation or arbitration of material importance in the future. Although we have purchased insurance policies to cover potential litigation or arbitration claims, such claims may fall outside the scope or limit of our insurance coverage and our financial condition and results of operation may be adversely affected.

We are exposed to construction disputes and litigation

Our wholly owned subsidiary, Giant Leap Construction Co., undertakes construction work for a substantial portion of our projects, as well as one project developed by a related party and a few third-party projects. Giant Leap Construction Co. may be subject to legal claims and proceedings instituted by our customers, subcontractors, workers and other parties involved in the projects undertaken by us from time to time. Such claims and proceedings include claims for compensation for late delivery of construction works and delivery of substandard works and claims in respect of personal injuries and labor compensation in relation to construction works.

We may be liable to our customers for damages if we do not apply for individual property ownership certificates on behalf of our customers in a timely manner

Property developers in the PRC are typically required to assist the purchasers to get the relevant individual property ownership certificates within 90 days of delivering the properties unless otherwise specified in the relevant sale and purchase agreements. Property developers, including us, generally elect to specify the deadline to apply for the individual property ownership certificates upon the provision of the necessary documents by the customers to allow sufficient time for the relevant application processes.

Under current regulations, we are required to submit the requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months of receiving the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate for these properties. We are then required to submit, within a stipulated period after delivery of the properties, the relevant property sale and purchase agreements, identification documents for the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates.

No material claim has been brought against us by any purchasers for late application for individual property ownership certificates on behalf of our customers in the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. However, we cannot assure you that we will not become liable to purchasers in the future for late application for individual property ownership certificates on behalf of our customers due to our own fault or reasons beyond our control, which may have a material adverse effect on our business.

Our hotel operations involve uncertainties

Certain residential projects that we have developed or intend to develop include high-end hotel operations.

Our approach to our hotel business is not focused on the profit contribution derived directly from our hotel operations. Rather, we consider our hotel business a value enhancer to our brand recognition in the property market and an integral component of our overall residential project marketing strategy.

Most of our hotels are currently owned and operated by our own hotel companies. Although the managing staff at various levels have the relevant management experience, we could face considerable reputational and financial risks if the hotels are mismanaged. If we are unable to successfully manage our hotel business, it may have a material adverse effect on the results in that segment as well as our overall marketing strategy, financial condition and results of operation.

We have engaged third-party hotel management partners to manage our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. Our results of operation may be affected by the performance of these hotel management partners, as well as any adverse publicity or other adverse developments relating to these companies or their brands generally. We may also consider engaging other international management companies to manage our hotels. We and the hotel management companies may have disagreements as to how the hotels should be managed or other matters. In general, under the terms of the management agreements, the third-party hotel management partners control the daily operations of the hotels. Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, gross operating profit margins or other performance indicators, we may not be able to require the management partners to change the way they manage our hotels. Such cooperation with hotel management companies may not achieve positive results as anticipated.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect their value.

Any portion of our uncompleted and future property developments that are not in compliance with relevant laws and regulations will be subject to governmental approval and additional payments

The local government authorities inspect property developments after their completion and issue Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Reports (房屋建築工程和市政基礎設施工程竣工驗收備案表) if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform to the plan authorized by the construction permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development.

We cannot assure you that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property development exceeds the relevant authorized GFA upon completion. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any surcharges or corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, our business, results of operation and financial condition.

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

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT, which is collected by local tax authorities. All income from the sale or transfer of land use rights relating to state-owned land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation in value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary standard residential houses (普通標準住宅) if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for the exemption. We estimate and make provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations, but we only pay a portion of such provision each year as is required by the local tax authorities.

Further, on 28 December 2006, the STA 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 requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo LAT clearance and settlement process;

- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and

- property developers must conduct final settlement if one of the following conditions is satisfied:

  - the project is completed and has been sold entirely;

  - the project is transferred as a whole before the completion of the construction; or

  - only land-use rights are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if any of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, though less than 85%, the rest of the saleable area has already been rented or is being self-used;

- the project has held a sale/pre-sale license for at least three years but has not been sold entirely;

- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or

- other situations set forth by the provincial PRC tax authorities.

On 19 May 2010, the STA issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of LAT. Furthermore, on 25 May 2010, the STA issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region.

Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation and there are uncertainties how this notice will be enforced. In the event that the implementation rules promulgated in the cities in which our projects are located require us to settle all unpaid LAT, our cash flow may be adversely affected.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, our LAT expense was RMB13,763 million, RMB16,424 million, RMB15,256 million and RMB7,392 million (US$1,145 million), respectively. We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognized and recorded in our books, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. We cannot assure you that the local tax authorities will agree with the basis on which we calculate our LAT obligations. In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorized taxation method, or that we will be able to obtain approval in the future to use the authorized taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our business, financial condition and results of operation may be materially and adversely affected.

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 on Adjustment of Transfer Business Tax to Appreciation Tax (關於全面推開營業稅改徵增值稅試點的通知) issued on 23 March 2016 and implemented on 1 May 2016 (''Circular 36'') by the MOF and the STA, effective from 1 May 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, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, the MOF and STA 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 business tax rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for the sale of self-developed real estate projects will be increased from 5% (the current business tax rate) to 11%. Unlike business tax, the VAT will only be imposed on added value, which means the input tax incurred from our construction and real estate can be offset from our 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 operation, which remains uncertain.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning environmental protection. The particular environmental laws and regulations that apply to any given development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays to development schedules, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive areas.

The PRC environmental regulations provide that each project developed by a property developer must undergo an environmental assessment, and an environmental impact assessment report be submitted to the relevant government authorities for approval before construction is commenced. If we fail to comply with such requirements, the local environmental authority may order us to suspend project construction until an environmental impact assessment report is submitted to and approved by such authority. The local environmental authority may also impose on us a fine of 1%–5% of the total investment amount in respect of such project. There have been instances where certain of our project companies in the PRC received administrative penalties imposed by the environmental authorities as a result of commencing construction of projects before submitting the environmental impact assessment report to the relevant government authorities for approval. For example, in May 2017, one of the local environmental authorities in Anhui has issued an administrative penalty notice to one of our project companies that such project company has been imposed fines of an amount of approximately RMB30.7 million (US$4.4 million) for commencing construction without submitting the environmental impact assessment report to the environmental authorities for approval. In November 2017, one of our project companies in Shandong were imposed fines of approximately RMB14 million

(US$2.0 million) for commencing project construction without obtaining approvals for the environmental impact assessment report from the local environmental authorities. In April 2018, the local oceanic authorities in Hainan imposed an administrative fine of approximately RMB8.0 million (US$1.1 million) on one of our project companies and further suspended its project construction for failing to obtain approvals of environmental impact assessment before commencing construction. One of our project companies in Changsha was required to suspend construction and a fine of approximately RMB4 million (US$0.6 million) was imposed against it as a result of it failing to obtain approvals relating to environmental impact assessments from the local environmental authority before commencing renovation and expansion of its property project. In June 2019, one of our project companies in Hainan was imposed a fine in the amount of approximately RMB24 million (US$3.4 million) by the local environmental authority for commencing construction without submitting the environmental impact assessment report to the environmental authorities for approval. We are currently applying for the approval of environmental assessment for certain of our projects. We cannot assure you that we will be able to obtain these approvals in a timely manner.

In addition, PRC law had required environmental facilities included in property developments to pass inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our property projects have environmental facilities that are subject to this requirement and are currently applying for inspection by the environmental authorities. We cannot assure you that we will be able to pass such inspections in a timely manner. If we fail to comply with this inspection requirement, the local environmental authorities may order us to suspend construction or use of the relevant facilities, which may disrupt our operations and adversely affect our business. Such authorities may also impose on us a fine below RMB2 million and other penalties in respect of such project and there have been instances in the past when certain of our project companies in the PRC were imposed administrative penalties, including suspension of the use of the relevant sewage plant, by the environmental authorities as a result of non-compliance with the relevant PRC laws on environmental protection. We cannot assure you that we will obtain such approvals in a timely manner. In the event that such completion approvals cannot be obtained or if a fine is imposed on us, our business and our financial condition may be adversely affected. From 20 November 2017, after the completion of project construction, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, and disclose the report to the public by submitting relevant data and information to the online platform for completed projects' environmental protection inspection, which is maintained by the Ministry of Ecology and Environment.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operation, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that a future environmental investigation will not reveal any material environmental liability. Also, we cannot assure you that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there is no assurance that we would be able to comply with any such laws and regulations, in the PRC or elsewhere where we conduct or may conduct our operations. See ''Description of the Company—Environmental matters'' for further details of environmental matters.

In terms of environmental liability, we have particular exposure through our Country Garden Forest City project

Country Garden Forest City (''Forest City'') is a vertical and multi-tiered city project situated in Iskandar, Malaysia and linked to Singapore by a bridge. It is being developed by a joint venture that we formed with the government of the state of Johor, Malaysia. It is an urban development project with an expected total development term of 20 years. We hold a 60% equity interest in the joint venture. It has a site area of 20 sq.km. under its development plan. Such a long-term and significant development exposes us to potential liability based on claims of damage to the environment and related claims. As a specific example, Forest City has drawn criticism from certain international and local environmental activist groups, in addition to the environmental ministry in Singapore. These activists are concerned that several development projects in Johor, which include the Forest City project, will result in damage to the intertidal seagrass meadow on Merambong shoal off Johor. This, in addition to other potential environmental claims, potentially expose us to liability that is specific to the Forest City project. At this time we are unable to assess whether the related criticism, scrutiny or liability claims would result in negative consequences in the future, including the disruption of construction and development of the project, affect our reputation or lead to potential legal action against us. Any of the forgoing may have a material adverse effect to our business, financial condition or results of operation.

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

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

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

Our future success depends significantly upon the continuing services of the members of our senior management team, in particular our chairman and executive director, Yeung Kwok Keung, who has extensive experience in the property industry in the PRC. Yeung Kwok Keung is responsible for formulating development strategies, making decisions on investment projects and setting the direction of our operations and overall business management. Our president and executive director, Mo Bin, also has extensive experience in property development and corporate management. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may be unable to replace them easily or at all, and our business may be disrupted and our financial condition and results of operation may be materially adversely affected.

In addition, we depend on the continued service of our executive officers and other skilled managerial and technical personnel, notably including our designers and architects. Competition for senior management and key personnel is intense, and the pool of qualified candidates is very limited. Our business could be adversely affected if we lose the services of our senior executives or key personnel without suitable replacements or if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business.

Further, as we expect our business to continue to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales

We have included information relating to our contracted sales in this Offering Circular. Contracted sales refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this Offering Circular should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this Offering Circular should not be unduly relied upon as a measure or indication of our current or future operating performance. In addition, the economic impact of recent world events, such as the COVID-19 pandemic, remains to be seen. Such impact will likely adversely affect property buyers and in turn, our contracted sales and our financial performance. See ''—Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic.''

The interests of our controlling shareholder may not always align with our interests

Our controlling shareholder, Yang Huiyan, beneficially owned approximately 61.25% of our Company as of the date of this Offering Circular. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Bonds. Our controlling shareholder could have significant influence in determining the outcome of any corporate transactions or other matters submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. Our controlling shareholder also has the power to prevent or cause a change in control. Without the consent of our controlling shareholder, we may be prevented from entering into transactions that could be beneficial to us. As a company listed on the Hong Kong Stock Exchange, we are also required to maintain robust internal control and corporate governance procedures to ensure that our personnel will maintain confidentiality of sensitive and confidential information. Leakage of any confidential or price sensitive information, and the trading of our shares on the basis of such information, including by our controlling shareholder, may contravene relevant insider trading regulations. In addition, our controlling shareholder also holds interest in companies other than us. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

Land use rights certificates and building ownership certificates of certain of the properties owned or used by us have not been obtained

We have not obtained building ownership certificates for certain of our properties, including: a bowling alley in Shunde Country Garden, a health center in Shunde Country Garden Hospital and staff quarters in Lirendong. Our PRC legal advisor has advised us that because of the lack of building ownership certificates for these properties, we may be ordered by the relevant PRC government department to (i) remedy the defect and pay a fine which represents more than 2% but less than 4% of the consideration payable under the relevant construction agreement of these properties, (ii) compensate for losses suffered by the users of these properties or (iii) vacate these properties. In the event that any of these penalties is imposed on us, our business may be affected.

In addition, we lease certain land and buildings from third parties who have not obtained the relevant land use rights certificates or the building ownership certificates, as applicable. We use these properties mainly to create additional green space for our property developments or as housing for some of our employees. In the event that the leases with these third parties are invalidated due to defects in the leased properties' title, we will have to return or restore the properties, which may affect the overall appeal of the relevant property developments. We will also have to find substitute housing for employees living in such premises.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on interest we pay on the Bonds

Under the Enterprise Income Tax Law (企業所得稅法) (''EIT Law'') and the implementation rules which both took effect on 1 January 2008, enterprises established outside the PRC whose ''de facto management bodies'' are located in China are considered ''resident enterprises'' for PRC tax purposes. The implementation rules define the term ''de facto management body'' as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the STA specified certain criteria for the determination of the ''de facto management bodies'' for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the ''de facto management bodies'' for foreign enterprises that are not controlled by PRC enterprises (including companies such as ourselves).

We hold our shareholders' meetings and certain board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities to determine whether we are PRC resident enterprises for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether we have a ''de facto management body'' located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Bonds to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Bonds to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. In addition, if we fail to do so, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Bonds would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax.

PRC regulations relating to investment in offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability, limit our ability to contribute capital into or provide loans to our PRC subsidiary, limit our subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us

SAFE has promulgated several regulations, including the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular No. 75, issued on 21 October 2005, and its implementation rules, or the attachment of Circular No. 59, issued in November 2012, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular No. 37.

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

Due to uncertainty concerning the reconciliation of these SAFE rules with other approval or registration requirements, it remains unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or update any applicable registrations or comply with other requirements of these or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital or provide loans to (including using the proceeds from any equity or debt securities offerings) our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Our investments in the PRC and our overseas projects are subject to the PRC government's control over foreign investment in the property sector and foreign exchange and capital outflow policies

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On 23 May 2007, the Ministry of Commerce (''MOFCOM'') and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (關於進一步加強規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to high-end properties should be strictly controlled;

- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;

- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and

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

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, MOFCOM issued the ''Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector'' (關於做好外商投資房地產業備案工作的通知). According to this notice, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level of MOFCOM is required to verify all filing materials regarding such foreign-invested real estate enterprise and to make a report to the national level of MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertake only one approved property project. In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into the 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 reiterated these limitations on foreign-invested real estate enterprises. On 24 June 2014, MOFCOM and SAFE jointly issued the Circular on Improving the Record-filing for Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective on 1 August 2014. According to this circular, the provincial branch of MOFCOM, instead of MOFCOM, will be in charge of the filing work of the foreign-invested real estate enterprises. On 11 November 2015, MOFCOM and SAFE jointly issued the ''Circular on Further Improving the Record-filing for Foreign Investment in Real Estate'' (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

On 31 December 2016, SAFE emphasized in a post on its website that its review of applications for foreign currency purchase would be tightened. In particular, it explicitly prohibited individuals from buying foreign currencies for purposes of purchasing real estate overseas. These foreign exchange restrictions make it more difficult for domestic investors to buy property overseas.

Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have an adverse effect on our business, financial condition and results of operation.

For more information about policies adopted by the PRC government with respect to the PRC property sector, see ''Regulation — Legal supervision relating to property sector in the PRC — B. Foreign—invested real estate enterprises.''

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the ''M&A Provisions'') issued by six PRC ministries, including MOFCOM, effective from 8 September 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It also provides the takeover procedures for equity interests in domestic companies. On 28 June 2017, MOFCOM and NDRC jointly issued the Catalog of Guidance on Industries for Foreign Investment (2017 Revised) effective from 28 July 2017. It provided that filing with the relevant authorities, instead obtaining approvals, is required for foreign investors to acquire Chinese companies if those foreign investors are not subject to the special administrative measures on foreign investment entry excluding the foreign entity established or controlled by PRC enterprises, companies or individuals to acquire its affiliated Chinese company. Subsequently, on 30 July 2017 MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises to implement the aforesaid filing procedures with regard to the acquisitions of Chinese companies by foreign entities. Since 1 January 2020, instead of the filings with or approvals from the commerce authorities, the relevant reports to the commerce authorities through the enterprise registration system will be required for foreign investors to acquire Chinese companies.

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 in the offering in our business in the PRC

On 23 May 2007, MOFCOM and SAFE jointly issued the ''Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC'' (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On 28 April 2013, SAFE issued the ''Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration'' (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on 13 May 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after 1 June 2007. These regulations effectively prohibit us from injecting funds into our PRC project companies by way of shareholder loans. Without the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Bonds, or on the maturity date to pay the principal of the outstanding Bonds.

Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. On 27 June 2018, NDRC emphasized in a press release that the proceeds from offshore bond offerings of PRC property enterprises shall be mainly used for the repayments of the existing debts and shall be restricted from being used for onshore or offshore property project investment or working capital. On 12 July 2019, NDRC published the ''Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises'' (關於對房地產企業發行外債申請備案登記有關要求的通知) on its website, which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts that will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. If the real estate developer does not comply with these restrictions, it may not be able to obtain foreign debt registrations in the future. 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.

According to Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (''Circular 3''), issued by SAFE on 26 January 2017, enterprises are permitted to directly or indirectly transfer proceeds from overseas loans guaranteed by an onshore enterprise for onshore use by loaning the proceeds to an onshore enterprise or using the proceeds to make investments in an onshore enterprise's capital or securities. Whether Circular 3 applies to the real estate industry, however, is presently unclear and subject to SAFE's subsequent practice.

The national and regional economies in China and the places where we conduct our operations and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in the places where we conduct our operations. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in such places. Some regions in China, Malaysia, Indonesia and Australia, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fires, droughts, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives, injuries and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China or the places where we conduct our operations, such as the Ebola virus, the H5N1 avian flu or the human swine flu, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operation.

Risks relating to the property sector in the PRC

The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry's growth

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

Between 2004 and the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector and stabilize property prices, including:

- suspending or restricting land grants and development approvals for villas and larger-sized units;

- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year 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 1 June 2006, consist of units with floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the ''70:90 rule'');

- tightening availability of bank loans to property developers and property purchasers of developed properties and increasing the reserve requirements for commercial banks;

- imposing or increasing taxes on short-term gains from second-hand property sales; and

- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not seen this policy being stringently applied across all applicable regions in China. If for any reason, political, economic, social or otherwise, these regional or local governments begin to stringently implement this policy, this may lead to an oversupply of units with floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of such type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operation and prospects may be adversely affected.

Beginning in the fourth quarter of 2009, the PRC government enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures adopted include:

- requiring a minimum down payment of at least 30% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves to buy an ordinary home with a unit floor area of more than 90 sq.m. for self-use;

- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves to buy an ordinary home with a unit floor area of not more than 90 sq.m. for self-use;

- requiring a minimum down payment of at least 60% with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property through mortgage financing. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price;

- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;

- eliminating preferential tax treatment for transfers of residential properties by property owners with respect to certain business taxes and effective from 28 January 2011, business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase;

- prohibiting 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 from obtaining bank loans for new projects or extension of credit facilities;

- limiting the availability of second housing reserve loans to families whose per capita living area is below the average in their locality and requiring that such loans be used only to purchase an ordinary home for self-use in order to improve their living conditions; and

- restricting purchasers (including their spouses and minor children) in certain targeted cities that are local residents with two or more residential properties, non-local residents with one or more residential properties or non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, from purchasing any residential properties.

These policies will increase the purchasing cost of real estate properties and is expected to have a material adverse impact on demand for properties in the PRC, which in turn could have a material adverse effect on our business, financial condition and results of operation. We cannot assure you that property development and investment activities in the PRC will continue at past levels or that there will not be an economic downturn in the property markets in the regions and cities of the PRC where we operate or intend to expand our operations.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知) on 29 September 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On 25 August 2019, PBOC issued the People's Bank of China No.16 [2019] Announcement, under which, starting from 8 October 2019, new commercial individual housing loans should be determined by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to affect our business and results of operation. See ''Regulation—Legal supervision relating to property sector in the PRC.''

In addition, the State Council has approved on a trial basis the launch of property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On 27 January 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on 28 January 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 28 January 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 within the nine major districts of

Chongqing, on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after 28 January 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 28 January 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. It is also expected that more local governments will follow Shanghai and Chongqing to impose property tax on commodity properties. On 23 October 2021, the Standing Committee of the NPC promulgated the Decision of Authorizing the State Council to Pilot Property Tax Reforms in Certain Regions (全國人大常委會關於授權國務院在部分地區開展房地產稅改革試點工作的決定). The State Council and related departments as well as local governments need to create scientific and feasible approaches and procedures for tax collection and management. The imposition of property tax on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operation. Furthermore, the governments of Beijing and Guangzhou have recently adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the pre-sale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the ''second generation'' personal identification cards for the review of their eligibility to purchase residential properties in Beijing.

Many cities in the PRC had already promulgated measures to restrict the number of residential properties one family is allowed to purchase. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price. Any such measures could have a material adverse effect on our business, financial condition or results of operation. Since August 2014, most of the local governments had issued their respective measures to lift the restrictions on the purchase of residential properties. However, since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou, Hainan province and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Since July 2020, the local governments in certain cities including without limitation Shenzhen, Shanghai, Chengdu, Hefei, Xi'an and Yinchuan have taken measures such as more stringent policies or restrictions on residential purchase, land supply, mortgage loan and second-hand residential properties transaction for the healthy development of the local property market.

We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government may impose county-wide property tax reform in the near future. We are not sure whether such tax reform will be imposed and neither can we assess the adverse impact of this tax reform on our business operations and financial results. 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 operation and prospects may be materially and adversely affected. For more information about policies adopted by the PRC government with respect to the PRC property sector, see ''Regulation.''

The property industry in the PRC is still at an early stage of development, and the property market and related infrastructure and mechanisms have not been fully developed

Private ownership of property in the PRC is still in a relatively early stage of development. The growth in demand for private residential property in the PRC, including Guangdong Province, in recent years is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for residential developments.

In addition, 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, property prices may fall significantly and our revenue and profitability will be adversely affected.

Risks relating to the PRC

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

Substantially all of our assets are located in the PRC, and all of our revenue is derived from within the PRC. Accordingly, our results of operation, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- political structure;
- level of government involvement;

- level of development;
- uncertainties in the implementation and enforcement of laws;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past four decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. The PRC government has implemented measures from time to time in order to prevent the PRC economy from overheating and will continue to do so according to its national development plans and fiscal or other policies. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If China's economic growth slows down further or if the Chinese economy experiences a recession, the growth or demand for our products may also slow down and our business, financial condition and results of operation will be adversely affected. See ''—Risks relating to our business—We may be adversely affected by fluctuations in the global economy and financial markets.'' In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment.

Moreover, we are susceptible to any foreign exchange and capital control policies adopted by the PRC government that restricts its citizens from converting its local currency into other currencies for overseas property purchases in order to curb capital outflows, particularly since a substantial portion of the purchasers of some of our overseas projects are, and are expected to continue to be, PRC persons subject to the PRC government's foreign exchange control and capital outflow policies. We cannot guarantee that this will not adversely affect the success of our overseas property projects or that it will not adversely affect our business, financial condition and results of operation.

In addition, demand for our products and our business, financial condition and results of operation may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;

- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such developments may have an adverse impact on the ability of Chinese property developers, management companies and potential property purchasers to obtain financing, a decrease in consumer confidence and demand in China real estate and increased market volatility.

Governmental control of currency conversion may affect the value of your investment

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the Existing Notes, the 2023 Convertible Bonds, the 2018 Loan, the December 2018 Loan, the 2019 Club Loan, the 2020 Club Loan, the 2021 Club Loan and the Notes.

The PRC legal system has inherent uncertainties that could affect our business and results of operation as well as the interest of investors in the Bonds

As majority of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 40 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. For example, we have registered the issuance of the Bonds with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 PRC working days after the issue date of the Bonds pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

For our primary operating subsidiaries in China, although we or our wholly owned subsidiaries are the sole shareholders of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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

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

Risks Relating to the Bonds and the Shares

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

We are a holding company with no material operations. We conduct our operations primarily through our PRC subsidiaries. The Bonds will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Bonds will not be guaranteed by certain other Subsidiaries and under the terms of Bonds, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not have material operations.

Accordingly, our ability to pay principal and interest on the Bonds and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon our receipt of principal and interest payments and the distributions of dividends from our subsidiaries.

Creditors would have a claim on certain Subsidiaries' assets that would have priority over the claims of the holders of the Bonds. As a result, our payment obligations under the Bonds will be effectively subordinated to all existing and future obligations of such Subsidiaries (including their obligations under guarantees issued in connection with our business), and all claims of creditors of such Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Bonds. As of 31 December 2020, indebtedness of our PRC subsidiaries constituted more than half of our total borrowing (other than our senior notes and offshore facilities). The Bonds do not restrict the ability of our subsidiaries to issue certain categories of guarantees in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of the Subsidiary Guarantor securing the related obligations over claims of the holders of the Bonds.

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 or principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Bonds and the Guarantees. 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 Bonds. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds and the Guarantees.

PRC laws and regulations permit payment of dividends only out of net 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 required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. In practice, our PRC subsidiaries may pay dividends once a year at the end of each financial year. Some of our PRC subsidiaries are also subject to certain restrictions on dividend distributions or on shareholder loan repayment under their loan agreements with certain PRC banks and non-banking financial institutions. As a result, some of our PRC subsidiaries may be restricted in their ability to transfer their profits 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 and 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. See ''Description of other material indebtedness.''

In addition, under the EIT Law and its implementation rules, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Currently, there is no such treaty between the PRC and the British Virgin Islands, where substantially all of our non-PRC subsidiaries are incorporated. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such limitations, dividend payments from our PRC subsidiaries may not be sufficient to meet our payment obligations required by the Bonds or to satisfy the obligations of the Company and the Subsidiary Guarantors under the Guarantees, and there could be restrictions on payments required to pay off the Bonds at maturity or as required for any early redemption.

In addition, our ability to lend offshore shareholder loans to our property developer subsidiaries in the PRC is fairly limited. See ''— 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 in the offering in our business in the PRC.''. Furthermore, in practice, the market interest rate that our PRC non-property developer subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by these subsidiaries, therefore, are likely to be lower than the interest rate for the Bonds. Our PRC subsidiaries are also required to pay a 10% withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the 10% withholding tax on the interest payable in any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Bonds or the obligations of the Company and the Subsidiary Guarantors under the Guarantees.

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 Bonds, a substantial amount of indebtedness. Our total borrowings, including bank and other borrowings, senior notes, the 2023 Convertible Bonds and corporate bonds, as of 30 June 2021, was RMB324,235 million (US$50,218 million).

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

- limit our ability to satisfy our obligations under the Existing Pari Passu Secured Indebtedness 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 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.

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

In addition, the terms of the Trust Deed governing the Bonds do not have any limitation on the amount of additional indebtedness that we or our subsidiaries may incur. Therefore, while the terms of the indentures governing the Existing Notes, prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios, and contain other restrictions, these restrictions will not be applicable when the Existing Notes cease to be outstanding. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See ''Description of other material indebtedness.'' Such restrictions in the Existing Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business or the economy in general. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Bonds, the Existing Notes and other debt.

Holders of the Bonds are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares

Holders of the Bonds are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares

Any issuance of the Company's equity securities after this Offering of the Bonds could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt to equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair the Company's ability to raise capital through the sale of additional equity securities. There is no restriction on the Company's ability to issue bonds or the ability of any of the Company's shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that the Company will not issue bonds or that the Company's shareholders will not dispose of, encumber or pledge the Shares. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

Bondholders will bear the risk of fluctuations in the price of the Shares

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

The Company's results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares

The trading price of the Shares will be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Company operates and capital markets in general. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Conversion of the Bonds would dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares

The conversion of some or all of the Bonds would dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Holders have limited anti-dilution protection

The Conversion Price (as defined in the ''*Terms and Conditions of the Bonds*'') will be adjusted in the event that there is a subdivision, consolidation, re-designation or reclassification of Shares, rights issue, distribution, capitalisation of profits or reserves or other events. See ''*Terms and Conditions of the Bonds — Conversion*.'' There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The Bonds will have limited liquidity and the transfer of the Bonds will be restricted

No public market exists for the Bonds. There is no current intention to list the Bonds other than on the SGX-ST. If any of the Bonds are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar Bonds and other factors, including general economic conditions and the financial condition, performance and prospects of the Issuer. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds or the ordinary shares issuable upon conversion of the Bonds are not registered under the Securities Act or other securities laws. Unless and until the Bonds, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the ordinary shares issuable upon conversion thereof will not be freely tradable absent registration or an exemption from registration.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Bonds, including holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution (as defined in the ''*Terms and Conditions of the Bonds*'') in writing signed by or on behalf of the holders of not less than 90% of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holder of Bonds duly convened and held. The Conditions also provide that the Trustee may, without the consent of holders of Bonds, subject as provided in the Conditions and the Trust Deed, agree to effect any modification to, or any waiver of the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed, if to do so is not materially prejudicial to the interests of the Bondholders or is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorisation or waiver shall be binding on the holders of Bonds.

The Issuer may not have the ability to redeem the Bonds

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash all or some of their Bonds upon a transaction or event constituting a change of control or delisting or suspension of trading as described in Terms and Conditions of Bonds. The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness it holds.

The insolvency laws of the British Virgin Islands, Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar

Because the Issuer and the Company are incorporated under the laws of the British Virgin Islands and the Cayman Islands, respectively, an insolvency proceeding relating to the Issuer or the Company even if brought in other jurisdictions, would likely involve British Virgin Islands or the Cayman Islands (as the case may be) insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. The Group conduct substantially all of its business operations through PRC-incorporated subsidiaries in the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyse the risks and uncertainties carefully before investing in the Bonds. In relation to the insolvency law risk relating to the Subsidiary Guarantors, please see ''*Risks relating to the Subsidiary Guarantees and the Collateral*'' below.

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- understand thoroughly the terms of the Bonds; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

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

Lack of a public market for the Bonds

The Bonds are a new issue of securities for which there is currently no established trading market when issued, and one may never develop. Approval in-principle for the listing and quotation of the Bonds has been received from the SGX-ST. However, there can be no assurance that the Issuer will be able to maintain such a listing or that, if listed, a trading market will develop for the Bonds on the SGX-ST. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the financial condition, financial performance and future prospects of the Issuer and the Company;
- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Company; and
- changes in the industry and competition affecting the Group.

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

The price and trading volume of the Bonds may be highly volatile. Changes in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, prices for comparable companies, government regulations applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. 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, the Sole Bookrunner, the Trustee, the Agents or our or their respective advisors

Facts and statistics in this offering circular relating to China's economy and the property industry are derived from various official or other publications available in China. 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, the Sole Bookrunner, the Trustee, the Agents or our or their respective 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 respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP.

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

We will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Risks relating to the Subsidiary Guarantees and the Collateral

Our initial Subsidiary Guarantors do not currently have significant operations

Although we conduct substantially all of our business operations through our PRC subsidiaries, none of our current PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Bonds or at any time thereafter. No future subsidiaries that may be organized under the laws of the PRC, which are publicly listed (the ''Listed Subsidiaries'') or which are not permitted by applicable law or regulation to guarantee the Bonds (the ''Exempted Subsidiaries''), will provide a Subsidiary Guarantee at any time in the future. Moreover, the Bonds will not be guaranteed by certain Non-Guarantor Subsidiaries and under the terms of the Indenture, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Bonds and have their capital stock pledged to secure the notes. As a result, the Bonds will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and other Non-Guarantor Subsidiaries. In addition, the Collateral will not include the capital stock of our existing or future PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Bonds do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future would have the funds necessary to satisfy our financial obligations under the Bonds if we are unable to do so. In addition, we are permitted to release any Subsidiary Guarantors upon other circumstances, subject to the satisfaction of the conditions in the senior note indentures, including the Indenture.

Under the terms of the Existing Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if its subsidiary guarantee in respect of certain other indebtedness is simultaneously released.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency laws or unfair preference or similar laws in the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors may be established or where insolvency proceedings may be commenced with respect to any such Subsidiary Guarantor, 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 and where applicable, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

(1) incurred the debt with the intent to hinder, delay or defraud creditors (whenever the transaction took place, and irrespective of insolvency);

(2) 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; or

(3) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor.

In the case of (2) and (3) above, a guarantee will only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvency in this context under BVI law means that the guarantor is unable to pay its debts as they fall due. Additionally, a guarantee will only be voidable if it is given within the six-month period preceding the commencement of liquidation or within the two-year period, if the guarantor and the beneficiary are connected entities.

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 on its existing debt as they became absolute and matured. Additionally, a guarantor would be considered insolvent if it fails to comply with the requirements of a statutory demand that has not been set aside or it fails to satisfy a judgment, order or decree of the court in favor of a creditor upon execution of the same.

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 under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees.

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

The charge of certain Collateral may in certain circumstances be voidable

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

If the charges of the Collateral were to be voided for any reason, holders of the Bonds would have only an unsecured claim against us.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Bonds

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

The ability of the Collateral Agent, on behalf of the holders of the Bonds, 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 Trustee or holders of the Bonds 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 Bonds. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Bonds would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Bonds. By their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantor, 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.

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Bonds, the holders of the Existing Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Bonds, the Existing *Pari Passu* Secured Indebtedness and other permitted *pari passu* secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Bonds 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 Bonds, the Subsidiary Guarantees and other *pari passu* secured indebtedness, and the Collateral securing the Bonds and such Subsidiary Guarantee may be reduced or diluted under certain circumstances, including the issuance of Additional Bonds and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement.

The pledge of certain Collateral may be released under certain circumstances

If we simultaneously release a Subsidiary Guarantor's subsidiary guarantee of certain other indebtedness, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released the Collateral will be reduced in value and scope, and holders of the Bonds would be subject to increased risks.

The Intercreditor Agreement may affect our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Bonds and the Subsidiary Guarantees and may limit the rights of holders of the Bonds to the Collateral

If so instructed by the holders of the Bonds, the holders of the Existing *Pari Passu* Secured Indebtedness or other permitted pari passu secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Intercreditor/Collateral Agent is required to take action to enforce the Collateral. Any such enforcement action would adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Bonds. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Intercreditor Agreement limits the ability of holders of the Bonds to enforce the Collateral, as only the Intercreditor/Collateral Agent is permitted to take enforcement actions. The Intercreditor/Collateral Agent, pursuant to the Intercreditor Agreement, the Security Documents and underlying indentures, has duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Bonds and other secured parties.

If an Event of Default occurs under the Bonds, the Existing Pari Passu Secured Indebtedness or other permitted pari passu secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Intercreditor/Collateral Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Bonds. In that event, the holders of the Bonds would retain only the remedy to sue for payment on the Bonds and the Subsidiary Guarantees.

The risks described above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

The investment referred to in this Offering Circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment advisor before making a decision to subscribe for the Bonds.

Use of proceeds

We intend to use the proceeds from this offering, after deducting the underwriting discount and other estimated expenses payable by us, to refinance existing medium to long-term offshore indebtedness, which will become due within one year.

Capitalization

The following table sets forth on an actual basis our consolidated cash and cash equivalents and capitalization as of 30 June 2021, and as adjusted to give effect to the issuance of the Bonds now being issued before deducting the commission, accrued interest and other estimated expenses of this offering. Subsequent to 30 June 2021, we have, in the ordinary course of business, entered into additional financing arrangement to finance our property developments and for general corporate purposes, such as the Additional January 2026 Notes. These additional borrowings are not reflected in the table below. See ''Description of other material indebtedness.''

The following table should be read in conjunction with the selected consolidated financial and other data, the unaudited interim condensed consolidated financial information and related notes included elsewhere in this Offering Circular. Except as otherwise disclosed in this Offering Circular, there has been no material change in our capitalization since 30 June 2021.

	As of 30 June 2021			
(in millions)	**Actual (unaudited)**		**As Adjusted (unaudited)**	
	(RMB)	**(US$)**	**(RMB)**	**(US$)**
Cash and cash equivalents(1)	186,238	28,845	189,482	29,347
Short-term borrowings				
Bank and other borrowings	64,839	10,042	64,839	10,042
Corporate bonds	18,022	2,791	18,022	2,791
Convertible bonds	19	3	19	3
Senior Notes	3,941	610	3,941	610
Total short-term borrowings	86,821	13,447	86,821	13,447
Long-term borrowings(3)(4)(5)				
Bank and other borrowings	141,155	21,862	141,155	21,862
Senior Notes	71,017	10,999	71,017	10,999
Bonds to be issued	—	—	3,244	502
Corporate bonds	19,892	3,081	19,892	3,081
Convertible bonds	5,350	829	5,350	829
Total long-term borrowings	237,414	36,771	240,658	37,273
Total equity attributable to owners of the Company	184,481	28,572	184,481	28,572
Total capitalization(2)(4)	508,716	78,790	511,960	79,292

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB18,317 million (US$2,837 million).

(2) As of 30 June 2021, our contingent liabilities, which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties and to joint ventures, associates and certain third parties in respect of borrowings, amounted to approximately RMB454,143 million (US$70,338 million) in aggregate.

(3) Long-term borrowings include bank and other borrowings, convertible bonds, senior notes and corporate bonds, and exclude the current portion of long-term borrowings.

(4) Total capitalization equals total short-term borrowings and total long-term borrowings plus equity attributable to owners of the Company.

(5) We have issued the Additional January 2026 Notes on 20 July 2021. See ''Description of other material indebtedness.'' The capitalization table above has not been adjusted to reflect the issuance of the Additional January 2026 Notes.

We continue to enter into short-term and long-term borrowings in the ordinary course of business, such as construction and project loans. In addition, we may from time to time enter into other financing arrangements, such as corporate bonds, securitization arrangements, offshore facilities and trust financing arrangements. For example, subsequent to 30 June 2021, we issued the Additional January 2026 Notes. See ''Description of other material indebtedness.'' We may continue to incur additional indebtedness through bank borrowings or issuance of debt securities or otherwise in the ordinary course of business.

Selected consolidated financial and other data

The following tables present our selected financial and other data. The selected financial data as of and for each of the fiscal years ended 31 December 2018, 2019 and 2020 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2020. The summary financial data as of and for each of the six months ended 30 June 2020 and 2021 (except for EBITDA data) is derived from our unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2021 and included elsewhere in this Offering Circular. The unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2021 has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the Hong Kong Institute of Certified Public Accountants. The results for interim period are not indicative of the results for the full year.

Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from IFRS.

The Company has adopted HKFRS 16 ''Leases'' (''HKFRS 16'') retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognized in the opening balance sheet on 1 January 2019. For details, please refer to notes to our audited consolidated financial statement as of and for the year ended 31 December 2019 included elsewhere in this Offering Circular. As such, the audited consolidated financial information as of and for the year ended 31 December 2019 may not be directly comparable against the Company's consolidated financial information as of and for the year ended 31 December 2018.

The selected financial data below should be read in conjunction with the consolidated financial information and the related notes included elsewhere in this Offering Circular.

The Company's financial results for any past years or periods are not and should not be taken as an indication of the Company's performance, financial position and results in future years or periods.

Selected consolidated income statement and statement of comprehensive income information

	For the year ended 31 December				Six months ended 30 June		
(in millions, except percentages)	2018	2019	2020	2020	2020	2021	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(RMB)	(US$)
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	379,079	485,908	462,856	71,687	184,957	234,930	36,386
Cost of sales	(276,603)	(359,271)	(361,951)	(56,059)	(140,070)	(188,646)	(29,218)
Gross profit	102,476	126,637	100,905	15,628	44,887	46,284	7,168
Other income and gains—net	4,344	3,288	2,816	436	1,880	1,739	269
Gains/(losses) arising from changes in fair value of and transfer to investment properties	1,732	126	13	2	3	(48)	(7)
Selling and marketing costs	(12,533)	(16,365)	(13,752)	(2,130)	(6,894)	(7,700)	(1,193)
Administrative expenses	(16,601)	(17,538)	(13,919)	(2,156)	(6,574)	(6,213)	(962)
Net impairment losses on financial and contract assets	(1,176)	(1,515)	(1,449)	(224)	(854)	(551)	(85)
Research and development expenses	(1,224)	(1,973)	(2,649)	(410)	(1,030)	(1,291)	(200)
Operating profit	77,018	92,660	71,965	11,146	31,418	32,220	4,990
Finance income	2,445	2,371	7,344	1,137	2,508	2,181	338
Finance costs	(1,097)	(1,200)	(38)	(6)	(622)	(278)	(43)
Finance income—net	1,348	1,171	7,306	1,132	1,886	1,903	295
Share of results of joint ventures and associates	1,197	5,108	6,258	969	2,583	3,122	484
Profit before income tax	79,563	98,939	85,529	13,247	35,887	37,245	5,769
Income tax expenses	(31,021)	(37,737)	(31,411)	(4,865)	(13,961)	(14,825)	(2,296)
Profit for the year/period	48,542	61,202	54,118	8,382	21,926	22,420	3,472
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
— Change in fair value of financial assets at fair value through other comprehensive income	107	195	826	128	(289)	372	58
— Revaluation gains on properties upon transfer from right-of-use assets	—	91	—	—	—	27	4
Items that may be reclassified to profit or loss:							
— Deferred gains/(losses) on cash flow hedges	35	(36)	(115)	(18)	(240)	4	1
— Deferred (costs)/gains of hedging	(1,099)	487	843	131	217	(53)	(8)
— Currency translation differences	(67)	(565)	(753)	(117)	112	(416)	(64)
Total other comprehensive (loss)/income for the year/period, net of tax	(1,024)	172	801	124	(200)	(66)	(10)
Total comprehensive income for the year/period, net of tax	47,518	61,374	54,919	8,506	21,726	22,354	3,462
Profit attributable to:							
— Owners of the Company	34,618	39,550	35,022	5,424	14,132	14,996	2,323
— Non-controlling interests	13,924	21,652	19,096	2,958	7,794	7,424	1,150
	48,542	61,202	54,118	8,382	21,926	22,420	3,472
Total comprehensive income attributable to:							
Owners of the Company	33,619	39,749	35,925	5,564	13,852	14,926	2,312
Non-controlling interests	13,899	21,625	18,994	2,942	7,874	7,428	1,150
	47,518	61,374	54,919	8,506	21,726	22,354	3,462
Dividends	10,580	12,445	10,032	1,554	4,528	4,717	731
Other Financial Data (unaudited)							
EBITDA(1)	79,530	95,379	81,376	12,604	34,142	35,644	5,521
EBITDA Margin(2)	21.0%	19.6%	17.6%	17.6%	18.5%	15.2%	15.2%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and right-of-use assets and amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes,

interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the indentures governing the Existing Notes.

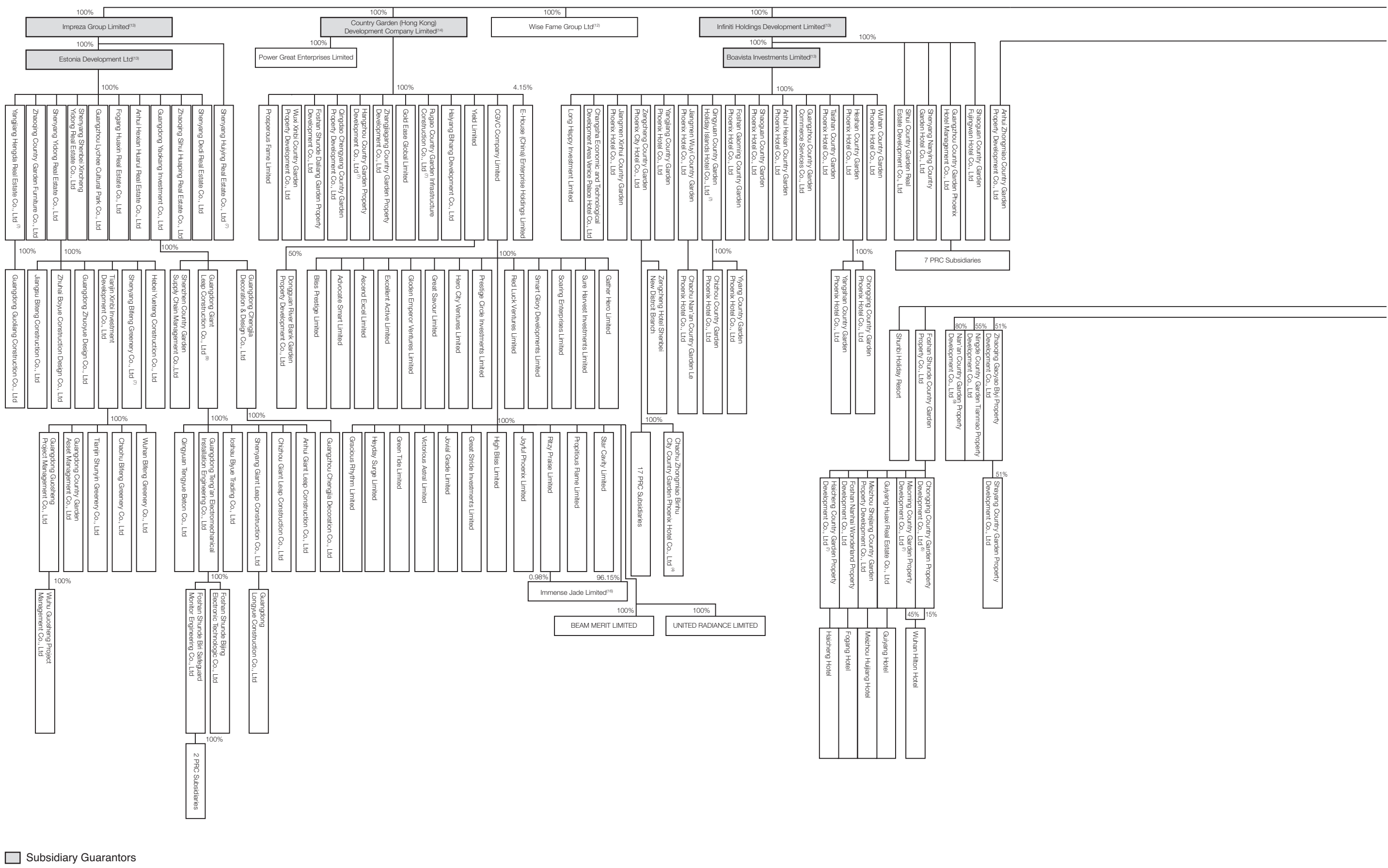
(2) EBITDA margin is calculated by dividing EBITDA by revenue.

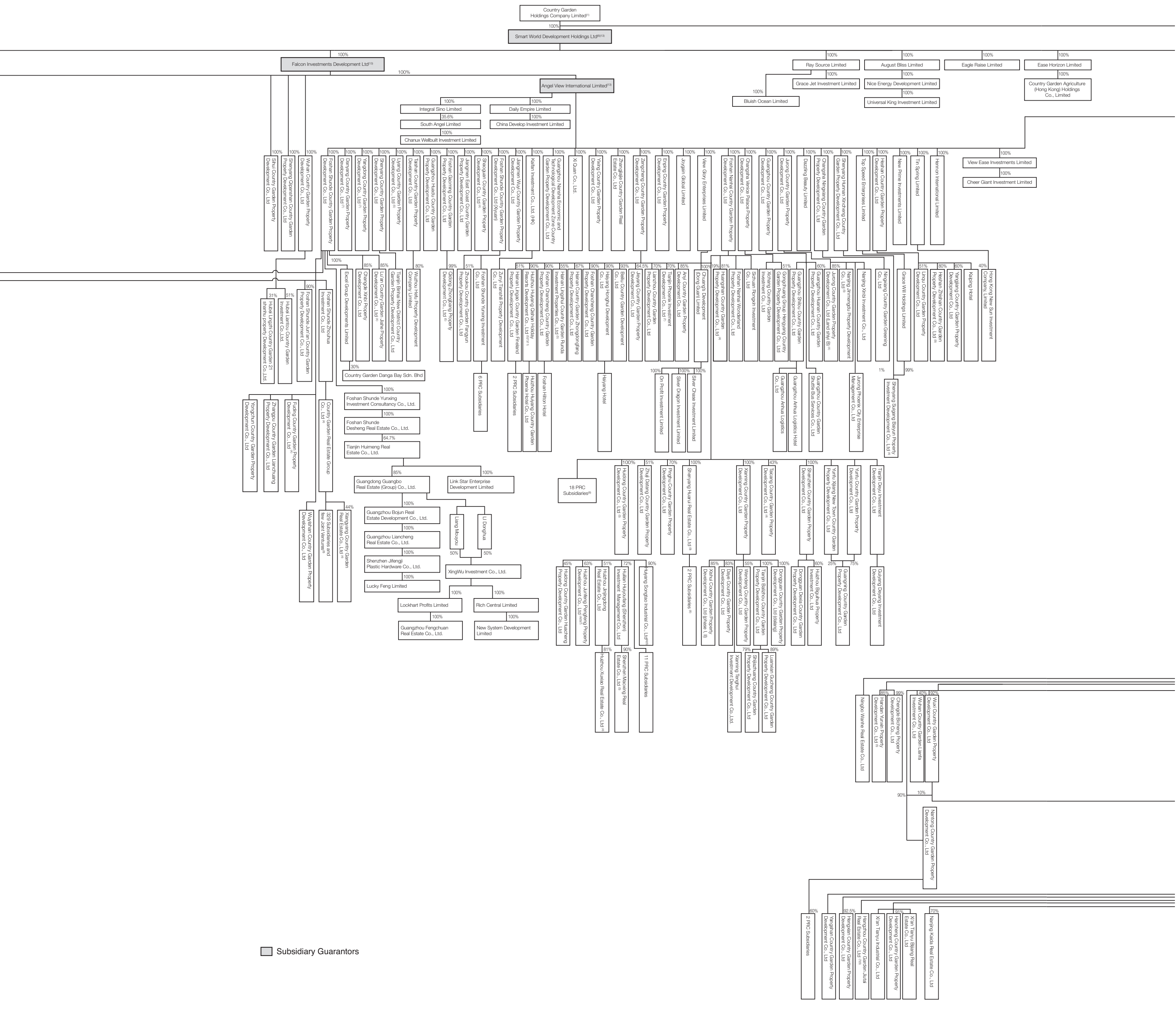
Selected consolidated statement of financial position information

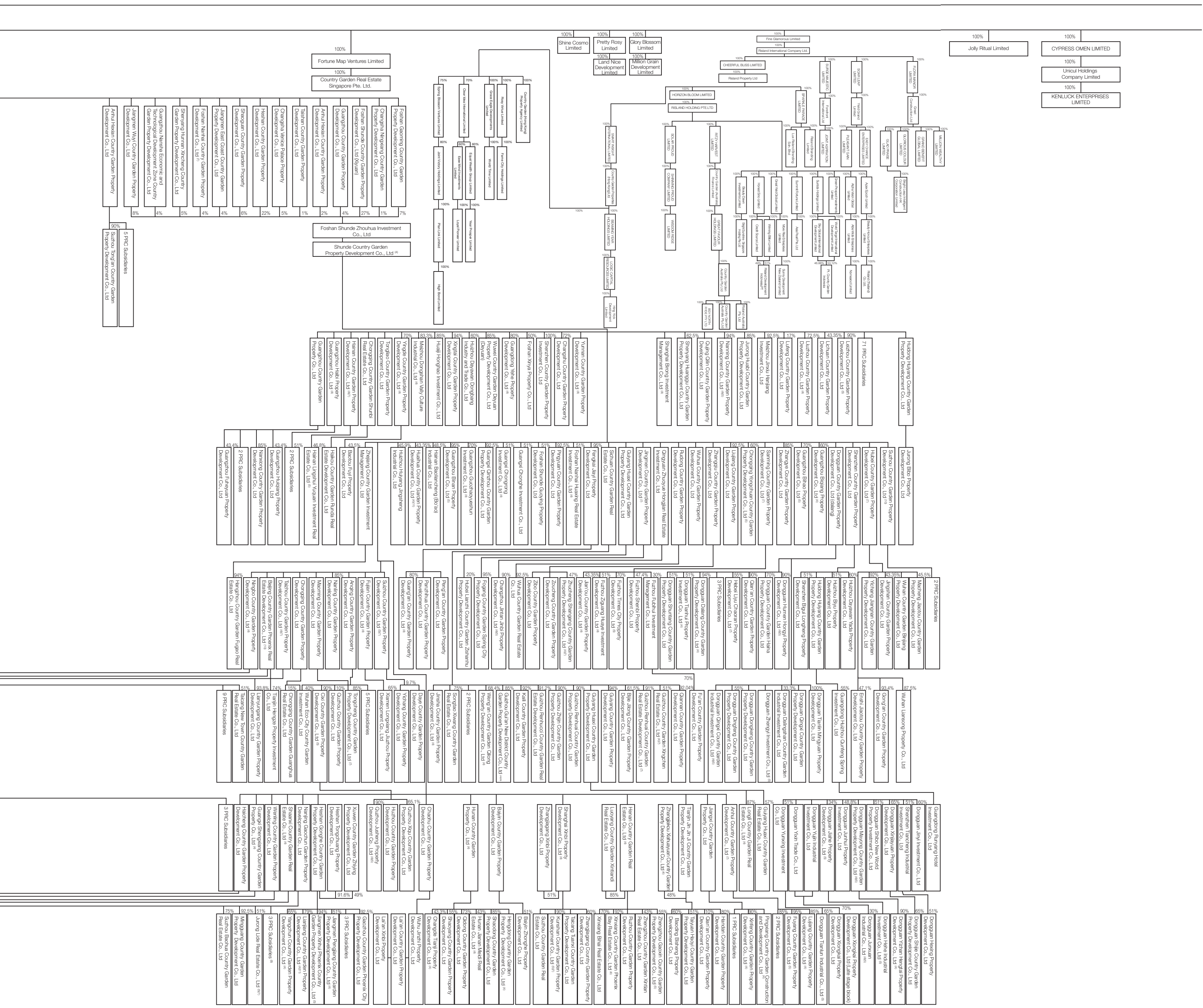
(in millions)	As of 31 December 2018 (RMB)	2019 (RMB)	2020 (RMB)	2020 (US$) (unaudited)	As of 30 June 2021 (RMB) (unaudited)	2021 (US$) (unaudited)
Non-current assets						
Property, plant and equipment	23,421	24,240	26,345	4,080	26,624	4,124
Investment properties	16,435	12,923	15,659	2,425	15,147	2,346
Intangible assets	670	745	1,423	220	1,408	218
Land use rights	2,496	—	—	—	—	—
Right-of-use assets	—	4,447	4,858	752	4,956	768
Properties under development	107,812	134,150	106,696	16,525	75,719	11,727
Investments in joint ventures	27,891	34,954	41,011	6,352	46,684	7,230
Investments in associates	18,768	17,159	22,430	3,474	21,923	3,395
Financial assets at fair value through other comprehensive income	1,796	3,282	3,985	617	3,775	585
Derivative financial instruments	992	2,648	812	126	18	3
Trade and other receivables	10,962	14,056	13,968	2,163	14,700	2,277
Deferred income tax assets	18,701	27,031	36,466	5,648	39,941	6,186
	229,944	275,635	273,653	42,383	250,895	38,859
Current assets						
Properties under development	626,937	810,300	1,034,664	160,249	1,055,306	163,446
Completed properties held for sale	44,338	45,781	49,587	7,680	60,762	9,411
Inventories	8,822	11,781	10,907	1,689	9,566	1,482
Trade and other receivables	426,397	438,195	410,937	63,646	391,410	60,622
Contract assets and contract acquisition costs	17,094	24,020	21,960	3,401	23,153	3,586
Prepaid income tax	21,350	24,712	23,781	3,683	24,785	3,839
Restricted cash	14,200	19,363	16,470	2,551	18,317	2,837
Cash and cash equivalents	228,343	248,985	167,153	25,889	167,921	26,008
Financial assets at fair value through profit or loss	12,019	7,933	6,596	1,022	15,232	2,359
Derivative financial instruments	250	447	101	16	116	18
	1,399,750	1,631,517	1,742,156	269,826	1,766,568	273,607
Current liabilities						
Contract liabilities	562,800	646,996	695,614	107,737	724,271	112,175
Trade and other payables	498,821	594,548	660,293	102,266	619,047	95,878
Receipts under securitization arrangements	794	279	—	—	—	—
Current income tax liabilities	30,783	40,367	39,519	6,121	32,539	5,040
Senior notes	2,238	7,343	2,219	344	3,941	610
Corporate bonds	23,964	28,850	25,784	3,993	18,022	2,791
Convertible bonds	8,051	22	20	3	19	3
Bank and other borrowings	91,844	80,057	68,218	10,566	64,839	10,042
Lease liabilities	—	258	208	32	214	33
Derivative financial instruments	111	32	1,084	168	1,237	192
Dividend payable	—	—	—	—	5,508	853
	1,219,406	1,398,752	1,492,959	231,230	1,469,637	227,618
Net current assets	180,344	232,765	249,197	38,596	296,931	45,989
Total assets less current liabilities	410,288	508,400	522,850	80,979	547,826	84,847
Non-current liabilities						
Senior notes	39,478	57,550	71,191	11,026	71,017	10,999
Corporate bonds	17,944	17,550	14,696	2,276	19,892	3,081
Convertible bonds	5,117	5,495	5,252	813	5,350	829
Bank and other borrowings	139,839	172,736	139,105	21,545	141,155	21,862
Lease liabilities	—	651	447	69	504	78
Deferred government grants	249	215	152	24	238	37
Deferred income tax liabilities	32,224	32,763	32,472	5,029	30,406	4,709
Derivative financial instruments	2,029	2,832	2,532	392	1,588	246
	236,880	289,792	265,847	41,174	270,150	41,841
Equity attributable to owners of the Company						
Share capital and premium	27,881	29,751	31,495	4,878	31,611	4,896
Other reserves	8,247	12,472	17,457	2,704	15,667	2,427
Retained earnings	85,202	109,716	126,150	19,538	137,203	21,250
	121,330	151,939	175,102	27,120	184,481	28,572
Non-controlling interests	52,078	66,669	81,901	12,685	93,195	14,434
Total equity	173,408	218,608	257,003	39,805	277,676	43,007
Total equity and non-current liabilities	410,288	508,400	522,850	80,979	547,826	84,847

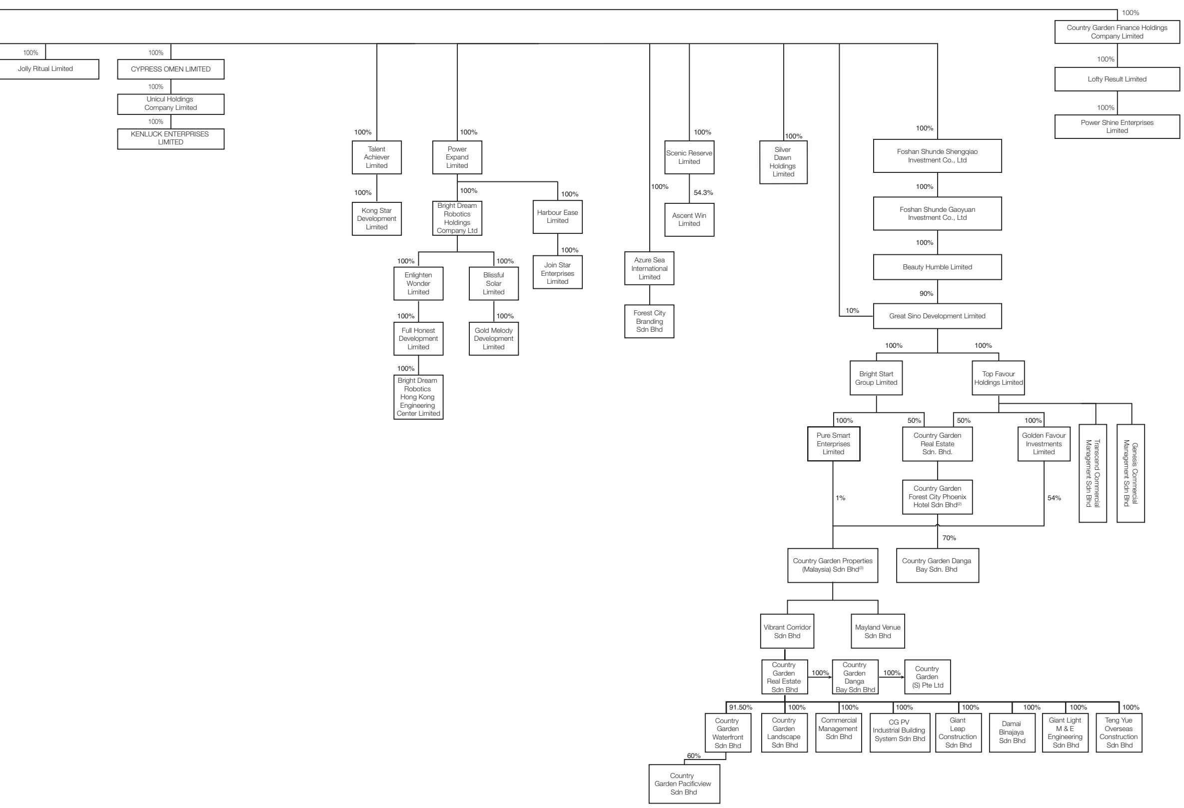
Corporate structure

The following chart sets forth a simplified corporate structure of our Group as of 30 June 2021.




Country Garden Holdings Company Limited(1)
Smart World Development Holdings Ltd(6)(13)
Falcon Investments Development Ltd(13)
Angel View International Limited(13)
Integral Sino Limited
South Angel Limited
Chanux Wellbuilt Investment Limited
Daily Empire Limited
China Develop Investment Limited
Ray Source Limited
Grace Jet Investment Limited
Bluish Ocean Limited
August Bliss Limited
Nice Energy Development Limited
Universal King Investment Limited
Eagle Raise Limited
Ease Horizon Limited
Country Garden Agriculture (Hong Kong) Holdings Co., Limited
View Ease Investments Limited
Cheer Giant Investment Limited
Country Garden Danga Bay Sdn. Bhd
Foshan Shunde Yunxing Investment Consultancy Co., Ltd.
Foshan Shunde Desheng Real Estate Co., Ltd.
Tianjin Huimeng Real Estate Co., Ltd.
Guangdong Guangbo Real Estate (Group) Co., Ltd.
Link Star Enterprise Development Limited
Guangzhou Bojun Real Estate Development Co., Ltd.
Guangzhou Liancheng Real Estate Co., Ltd.
Shenzhen Jifengji Plastic Hardware Co., Ltd.
Lucky Feng Limited
XingWu Investment Co., Ltd.
Lockhart Profits Limited
Rich Central Limited
Guangzhou Fengchuan Real Estate Co., Ltd.
New System Development Limited
18 PRC Subsidiaries(9)
Subsidiary Guarantors


100%
Fortune Map Ventures Limited
100%
Country Garden Real Estate Singapore Pte. Ltd.
100%
Shine Cosmo Limited
100%
Pretty Rosy Limited
100%
Glory Blossom Limited
100%
Land Nice Development Limited
100%
Million Grain Development Limited
100%
Jolly Ritual Limited
100%
CYPRESS OMEN LIMITED
100%
Unicul Holdings Company Limited
100%
KENLUCK ENTERPRISES LIMITED
Foshan Shunde Zhouhua Investment Co., Ltd
Shunde Country Garden Property Development Co., Ltd



100%
Country Garden Finance Holdings Company Limited
100%
Lofty Result Limited
100%
Power Shine Enterprises Limited
100%
Jolly Ritual Limited
100%
CYPRESS OMEN LIMITED
100%
Unicul Holdings Company Limited
100%
KENLUCK ENTERPRISES LIMITED
100%
Talent Achiever Limited
100%
Kong Star Development Limited
100%
Power Expand Limited
100%
Bright Dream Robotics Holdings Company Ltd
100%
Harbour Ease Limited
100%
Join Star Enterprises Limited
100%
Enlighten Wonder Limited
100%
Full Honest Development Limited
100%
Bright Dream Robotics Hong Kong Engineering Center Limited
100%
Blissful Solar Limited
100%
Gold Melody Development Limited
100%
Azure Sea International Limited
Forest City Branding Sdn Bhd
100%
Scenic Reserve Limited
54.3%
Ascent Win Limited
100%
Silver Dawn Holdings Limited
100%
Foshan Shunde Shengqiao Investment Co., Ltd
100%
Foshan Shunde Gaoyuan Investment Co., Ltd
100%
Beauty Humble Limited
90%
10%
Great Sino Development Limited
100%
Bright Start Group Limited
100%
Top Favour Holdings Limited
100%
Pure Smart Enterprises Limited
50%
50%
Country Garden Real Estate Sdn. Bhd.
Country Garden Forest City Phoenix Hotel Sdn Bhd(1)
100%
Golden Favour Investments Limited
Transcend Commercial Management Sdn Bhd
Genesis Commercial Management Sdn Bhd
1%
54%
70%
Country Garden Properties (Malaysia) Sdn Bhd(1)
Country Garden Danga Bay Sdn. Bhd
Vibrant Corridor Sdn Bhd
Mayland Venue Sdn Bhd
Country Garden Real Estate Sdn Bhd
100%
Country Garden Danga Bay Sdn Bhd
100%
Country Garden (S) Pte Ltd
91.50%
Country Garden Waterfront Sdn Bhd
60%
Country Garden Pacificview Sdn Bhd
100%
Country Garden Landscape Sdn Bhd
100%
Commercial Management Sdn Bhd
100%
CG PV Industrial Building System Sdn Bhd
100%
Giant Leap Construction Sdn Bhd
100%
Damai Binajaya Sdn Bhd
100%
Giant Light M & E Engineering Sdn Bhd
100%
Teng Yue Overseas Construction Sdn Bhd

Notes:

(1) Our controlling shareholder, Yang Huiyan, held 61.25% of our shares as of the date of this Offering Circular. See ''Management—Directors' interests'' and ''Principal shareholders.''

(2) Formerly known as ''Country Garden Hotel Management Sdn Bhd''.

(3) Formerly known as ''Wealthy Signet Sdn Bhd''.

(4) The registered capital of the above companies and Baise Country Garden Property Development Co., Ltd, Qingyuan Bishun Property Development Co., Ltd, Qingyuan Bisheng Property Development Co., Ltd, Taizhou Xinbi Property Development Co., Ltd, Xinyi Fenghui Industrial Co., Ltd, Chuzhou Haoxin Real Estate Co., Ltd, Gaozhou Country Garden Panzhou Property Development Co., Ltd, Huazhou Jianjiang Country Garden Property Development Co., Ltd, Zhaoqing Dinghu Daxin Property Development Co., Ltd, Foshan Shunde Country Garden Real Estate Co., Ltd, Huizhou Nanxian Passenger Station Co., Ltd, Huizhou Biquan Investment Co., Ltd, Guizhou Guian New District Country Garden Xuefu Real Estate Co., Ltd, Huizhou Country Garden Nanzhan Xincheng Investment Co., Ltd, Chuzhou Country Garden Property Development Co., Ltd, Liyang Xinbi Property Development Co., Ltd, Dongguan Qishi Jindi Country Garden Property Development Co., Ltd, Jiangsu Nanbi Property Development Co., Ltd, Guangdong Country Garden Property Information Consultancy Co., Ltd, Anhui Yulinwan Real Estate Co., Ltd, Foshan Sanshui Xinan Country Garden Property Development Co., Ltd, Chongqing Country Garden Guanghua Real Estate Co., Ltd, Wuhan East Lake Technology Entrepreneurship Farm Co., Ltd, Xining Country Garden Property Development Co., Ltd, Zhangpu Coutrygarden Property Development Co., Ltd, Mengcheng Country Garden Property Development Co., Ltd, Hefei Bicheng Union Property Development Co., Ltd, Chuzhou Bicheng Property Development Co., Ltd, Ganzhou Nankang Country Garden Property Development Co., Ltd, Bengbu Biying Property Development Co., Ltd, Laian Biying Property Development Co., Ltd, Lianyungang Lianbi Property Development Co., Ltd, Changzhou Country Garden Property Development Co., Ltd, Liyang Bixin Property Development Co., Ltd, Zhongshan Shengdu Property Development Co., Ltd, Jiangmen Xinhui Jinxiang Country Garden Property Development Co., Ltd, Jinzhou Country Garden Real Estate Co., Ltd, Qingdao Jingu Fuyuan Real Estate Co., Ltd, Liaocheng Country Garden Property Development Co., Ltd, Guiyang Southwest International Trade City Co., Ltd., Xingyang Bixi Real Estate Co., Ltd, Zhumadian Country Garden Property Development Co., Ltd, Shanwei Baohua Industrial Development Co., Ltd, Shaanxi Xinde Investment Co., Ltd, Zhumadian Yicheng Pengyu Property Development Co., Ltd, Jingdezhen Country Garden Property Development Co., Ltd, Liyang Huabi Property Development Co., Ltd, Chengdu Xinshudao Real Estate Co., Ltd, Chengdu Xinshidai Tiancheng Real Estate Co., Ltd, Shishou Lida Property Development Co., Ltd, Qingyuan Biheng Property Development Co., Ltd, Chunan Country Garden Property Development Co., Ltd, Yunnan Biyu Property Development Co., Ltd, Wenzhou Xingyao Property Development Co., Ltd, Jiaxing Harbour Biran Property Development Co., Ltd, Hangzhou Bitai Real Estate Co., Ltd, Hangzhou Biyue Real Estate Co., Ltd, Foshan Lvhu Industrial Development Co., Ltd, Heyuan Country Garden Property Development Co., Ltd, Taihe Jinggui Property Development Co., Ltd, Huarong Country Garden Property Development Co., Ltd, Xiangxi Jingkai Country Garden Property Development Co., Ltd, Jianingna (Hunan) Industrial Co., Ltd, Pingdingshan Bixi Real Estate Co., Ltd, Rizhao Donggang Country Garden Property Development Co., Ltd, Tongcheng Bicheng Property Development Co., Ltd, Tangshan Yinkun Jinlun Property Development Co., Ltd, Foshan Nanhai Guishi Property Development Co., Ltd, Xinxing Country Garden Property Development Co., Ltd, Wannian Bitian Property Development Co., Ltd, Dongguan Yixin Country Garden Property Development Co., Ltd, Shenzhen Country Garden Industrial Co., Ltd, Dongguan Fenggui Property Development Co., Ltd, Guangdong Longyue Construction Co., Ltd, Guangzhou Libi Property Development Co., Ltd, Yingde Hongrun Property Development Co., Ltd, Dongguan Pingchang Country Garden Property Development Co., Ltd, Weinan Country Garden Property Development Co., Ltd, Guizhou Country Garden Shun'an Property Development Co., Ltd, Guizhou Zhongtai Real Estate Co., Ltd, Haiyang Juchuang Construction Labor Subcontract Co., Ltd, Hebei Haochi Property Development Co., Ltd, Shanghai Wanbi Property Development Co., Ltd, Zhengzhou Biyu Real Estate Co., Ltd, Shangqiu Huahai Real Estate Co., Ltd, Guizhou Guilong Country Garden Real Estate Co., Ltd, Dongtai Country Garden Property Development Co., Ltd, Biyang Country Garden Property Development Co., Ltd, Luohe Ronghe Real Estate Co., Ltd, Guiyang Shengquan Property Development Co., Ltd, Lianjiang Phoenix Country Garden Property Development Co., Ltd, Kunming Birunjun Property Development Co., Ltd, Huzhou Nanxun Bihong Property Development Co., Ltd, Tianshui Country Garden Property Development Co., Ltd, Zhangzhou Longwen Guixi Property Development Co., Ltd, Changtai Country Garden Property Development Co., Ltd, Suzhou Guangkun Property Development Co., Ltd, Kunshan Baoye Property Development Co., Ltd, Tianjin Bisheng Property Development Co., Ltd, Changde Tongbi Property Development Co., Ltd, Chenzhou Beihu Country Garden Property Development Co., Ltd, Wusheng Bicheng Real Estate Co., Ltd, Xiangyin Country Garden Property Development Co., Ltd, Hanzhong Chengxin Investment Co., Ltd, Xinhua Deyi Property Development Co., Ltd, Xining Biying Property Development Co., Ltd, Liuyang Xinbi Real Estate Co., Ltd, Sanya Lianhe Industries Co., Ltd, Yichun Xinzuo Country Garden Property Development Co., Ltd, Qingdao Country Garden Bohua Real Estate Co., Ltd, Tai'an Bisheng Property Development Co., Ltd and Taizhou Jiangyan Country Garden Property Development Co., Ltd, have not been fully paid.

(5) The company's shares have been pledged pursuant to trust financing arrangements and loan agreements.

(6) Subsequent to 30 June 2021, we, in our ordinary course of business, incorporated or acquired certain subsidiaries in Australia, the British Virgin Islands, Hong Kong, Indonesia, Malaysia, Singapore, Cayman Islands and the PRC and may from time to time incorporate or acquire new subsidiaries, in our ordinary course of business, subsequent to the date of this Offering Circular.

(7) The company and Jiujiang Country Garden Property Development Co., Ltd, Wuhan Chuangfu Property Development Co., Ltd, Wuhu Country Garden Property Development Co., Ltd, Maoming Country Garden Shanggao Property Development Co., Ltd, Zhanjiang Mazhang Country Garden Property Development Co., Ltd, Hainan Lvjian Investment Co., Ltd, Taizhou Xiongjian Property Development Co., Ltd, Yiwu Birong Property Development Co., Ltd, Wenzhou Xingyao Property

Development Co., Ltd, Guangdong Yehe Property Development Co., Ltd, Suzhou Guangkun Property Development Co., Ltd and Zhangye Country Garden Property Development Co failed filing its annual report in time or failed to be contacted in the registered address as required by relevant PRC law.

(8) Fengshun Country Garden Property Development Co., Ltd, Jiangyin Gaoxin Country Garden Real Estate Co., Ltd, Shanwei Hongyang Country Garden Property Development Co., Ltd and Baicheng Country Garden Property Development Co., Ltd failed filing its annual report in time as required by relevant PRC law. The shares of each of Lanzhou Country Garden Property Development Co., Ltd., Yancheng Country Garden Property Development Co., Ltd, Guangzhou Xinbi Property Development Co., Ltd, Kaiping Country Garden Property Development Co., Ltd, Qingyuan Country Garden Xinya Property Development Co., Ltd, Jurong Baobi Country Garden Property Development Co., Ltd, Hunan Dongchenzhidi Property Development Co., Ltd, Jiangyin Jingyu Property Development Co., Ltd, Zhoukou Country Garden Fangyun Property Development Co., Ltd, Zhengzhou Bihai Real Estate Co., Ltd, Dongguan Tianlin Mingyuan Property Development Co., Ltd, Dongguan Qishi Jindi Country Garden Property Development Co., Ltd, Jiangsu Baohua Country Garden Real Estate Co., Ltd, Shaanxi Jianqin Property Development Co., Ltd, Liyang Xinbi Property Development Co., Ltd, Dongguan Jingtian Industrial Investment Co., Ltd, Tongxiang Country Garden Fugao Real Estate Co., Ltd, Anji Country Garden Property Development Co., Ltd, Cangzhou Bida Property Development Co., Ltd, Jiangmen Xinhui Wende Property Development Co., Ltd, Maoming Country Garden Shanggao Property Development Co., Ltd, Zhanjiang Chikan Country Garden Property Development Co., Ltd, Xiaogan Dongcheng Property Development Co., Ltd, Huizhou Daya Bay Tianfuhong Property Co., Ltd, Huizhou Taidong International Logistics Park Co., Ltd, Zhongshan Bihui Property Development Co., Ltd, Taizhou Jiangyan Country Garden Property Development Co., Ltd, Yuyao Jiutai Real Estate Co., Ltd, Yangjiang Moyang Lake Country Garden Property Development Co., Ltd, Zhanjiang Mazhang Country Garden Property Development Co., Ltd, Zhengzhou Country Garden Hailong Real Estate Co., Ltd, Huaibei Country Garden Property Development Co., Ltd., Dongying Country Garden Property Development Co., Ltd., Wuhan Country Garden Tazi Lake Real Estate Co., Ltd., Meizhou Yingfangzhongchuang Industrial Co., Ltd., Chuzhou Bihui Real Estate Co., Ltd., Chengdu Haichang Property Development Co., Ltd., Yangguang Moyanghu Country Garden Real Estate Co., Ltd., Qingyuan Country Xinya Real Estate Co., Ltd., Guiyang Southwest International Trade City Co., Ltd., Kunshan Country Garden Real Estate Co., Ltd., Lanzhou Country Garden Real Estate Co., Ltd., Jiangsu Baohua Country Garden Property Development Co., Ltd., Baoji Country Garden Development Co., Ltd., Jurong Jinhui Property Construction Co., Ltd, Yunnan Biyu Property Development Co., Ltd, Yunnan Bining Property Development Co., Ltd, Shaoxing Jiutai Real Estate Co,. Ltd, Suqian Country Garden Property Development Co., Ltd, China Zhongqi Group Property Development Co., Ltd, Xi'an Fengdong Xincheng Country Garden Property Development Co., Ltd, Jiangmen Xinhui Wenqing Country Garden Property Development Co., Ltd, Yingde Hongrun Property Development Co., Ltd, Xining Biying Property Development Co., Ltd, Hainan Dehe Investment Co., Ltd, Hebei Haochi Property Development Co., Ltd, Hunan Hongxing Xindai Real Estate Development Co., Ltd, Wenling Dongbi Real Estate Co., Ltd, Suzhou Guangkun Property Development Co., Ltd, Huzhou Bixin Property Development Co., Ltd and Linquan Country Garden Property Development Co., Ltd have been pledged to relevant trust companies, banks or other creditors.

(9) The above companies have been cited on the PRC Supreme People's Court's website for failure to perform certain court obligations.

(10) The equity interest held by this company in its subsidiary (such as Handan Yunxin Property Development Co., Ltd., Qinhuangdao Zhongjiao Property Development Co., Ltd, Tangshan Yinkun Jinlun Property Development Co., Ltd and Suzhou Golden Century Property Development Co., Ltd.) is currently frozen by a court order due to certain ongoing disputes with former shareholders of such subsidiary. The 30% equity interest held by us in Shenzhen Country Garden Industrial Co., Ltd is under dispute with the relevant partners of one of its former shareholders and such dispute is still pending.

(11) The equity interest held by the JV partner in Zhoukou Country Garden Fangyun Property Development Co., Ltd, Xiangyang Country Garden Real Estate Co., Ltd, Huizhou Huiyang Qishan Holiday Resorts Development Co., Ltd, Lianjiang Country Garden Property Development Co., Ltd, Huaihua Country Garden Property Development Co., Ltd, Hainan Country Garden Zhongdongfang Property Development Co., Ltd, Hengyang Huayan Real Estate Co., Ltd, Henan Bitian Property Development Co., Ltd, Zhumadian Yicheng Pengyu Property Development Co., Ltd, Guangzhou Rongchuang Industrial Investment Co., Ltd, Dongguan Jiahe Property Development Co., Ltd, Hebei Haochi Property Development Co., Ltd, Handan Bishuiwan Property Development Co., Ltd, Xinxing Country Garden Property Development Co., Ltd and Tianjin Hengze Property Investment Co., Ltd is currently frozen by a court.

(12) [Reserved].

(13) Incorporated in the British Virgin Islands with limited liability.

(14) Incorporated in Hong Kong with limited liability.

(15) Sihui Zhenhuiyuan Property Development Co., Ltd has not completed filing with relevant commerce authority for its decrease of registered capital.

(16) 1 ordinary share of Immense Jade Limited is held by Ritzy Praise Limited; 100 series A preferred shares are held by CGVC Company Limited; and 1 series B preferred share is held by Inno Healthcare Limited.

(17) We obtained some equity interest in Zhangzhou Longwen District Guixi Property Development Co., Ltd by taking part in its bankruptcy restructuring and currently such restructuring is still in process.

Description of the Issuer

Formation

The Issuer is a business company with limited liability incorporated under the laws of British Virgin Islands (Company Number: 1936957). It was incorporated in British Virgin Islands on 15 February 2017. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

As of the date of this Offering Circular, the Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect investment holding subsidiary of Country Garden Holdings Company Limited and those incidental to the issuance of the Bonds from time to time and any other activities in connection therewith.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer does not propose to publish any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

The directors of the Issuer are Yang Huiyan, Mo Bin and Luo Jie.

Description of the Company

Overview

We are one of the leading integrated property developers in the PRC, with a majority of our assets and operations in the PRC and an expanding footprint of operations outside the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration. We separately listed our property management subsidiary, Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) (''CG Services''), on the main board of the Hong Kong Stock Exchange on 19 June 2018. Our residential home projects are generally located in urban and suburban areas of cities all throughout the PRC. As of 30 June 2021, approximately 27% of our residential sales have been in first and second tier cities and the remaining 62% in third and fourth tier cities. As of 30 June 2021, we had 3,157 projects at various stages of development. Of these projects, 582 were located in Guangdong Province: 59 in Guangzhou City, 65 in Dongguan City, 60 in Foshan City, 35 in Jiangmen City, 60 in Huizhou City, 30 in Zhaoqing City, 30 in Qingyuan City, 27 in Meizhou City, 21 in Zhongshan City and the remaining in various other cities. We also had 2,545 projects located outside Guangdong Province, spanning 22 provinces, five autonomous regions and four municipalities in the PRC.

In December 2011, we expanded our operations outside of the PRC for the first time, with a project in Malaysia and further expanded into Australia in October 2013. Since the commencement of our overseas expansion, we have continued to grow our operations outside of the PRC and, as of 30 June 2021, we had a total of 30 projects outside of the PRC. As of 30 June 2021, we had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England. See ''Risk factors—We may not be successful in our overseas expansion'' and ''—Description of our property projects.'' While we intend on exploring additional opportunities to expand our business outside of the PRC we expect the overwhelming majority of our future revenues to continue being generated by our property development business in the PRC.

As of 30 June 2021, our projects in the PRC had an aggregate completed GFA of approximately 266,987,033 sq.m. We had an aggregate saleable GFA under development of approximately 174,967,939 sq.m. and an aggregate saleable GFA of approximately 95,070,904 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development.

We also develop hotels to complement our residential properties.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, our total revenue was RMB379,079 million, RMB485,908 million, RMB462,856 million, RMB184,957 million and RMB234,930 million (US$36,386 million), respectively, and our EBITDA was RMB79,530 million, RMB95,379 million, RMB81,376 million, RMB34,142 million and RMB35,644 million (US$5,521 million), respectively.

Our shares have been listed on the Hong Kong Stock Exchange since 20 April 2007 under stock code 2007.

Competitive strengths

We are one of the largest property developers in the PRC with one of the largest, most geographically diversified, and lowest-cost land banks

As of 30 June 2021, we had an aggregate saleable GFA under development and for future development in China of approximately 270,038,843 sq.m. for which we have obtained all the relevant land use rights certificates or development and operation rights or land title, spanning 22 provinces, five autonomous regions and four provincial level municipalities. In addition, we have also entered into land grant contracts in respect of land for which we have applied for or are in the process of applying for land use rights certificates for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

We adopt a disciplined approach to land acquisition and development. We undertake market research and analysis as well as budget and financing planning prior to a land acquisition, which we believe enables us to exercise effective cost control. In addition, we continue to seek opportunities to acquire and develop land in close proximity to our existing mature projects. We believe such in-fill developments will lower potential execution risks given our experience with the local markets, service providers and target customers. We believe our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

We have an established business model, which we believe has been successfully replicated in the markets where we operate

We focus on developing residential communities in the suburban areas of first- and second-tier cities as well as the newly urbanized town centers of third- and fourth-tier cities in the PRC where we believe we have high-growth potential. We proactively seek to enhance the value of our properties by creating a better living environment through the provision of comprehensive community facilities and premium services in our master-planned communities. Our business model leverages on China's economic growth, increasing urbanization and rising standards of living. We believe that we have aligned our business development objectives with those of local governments, as our large-scale township developments raise the living standards of the local population and help improve the business environment of the local economies.

Over the last decade, we have successfully replicated our business model in different cities in the PRC. Since 2006, we have continuously expanded our business and have since entered into certain overseas markets. As of 30 June 2021, we had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England. We believe the success of Country Garden—Galaxy Palace, Country Garden—Phoenix City (Jurong), Country Garden—Ten Miles Golden Beach and Country Garden—Golden Beach, in particular, demonstrates our ability to replicate our business model and capitalize on our strong brand name in other provinces in China.

Our standardized operations enable us to provide high-quality and competitively priced products to our customers and to achieve quick asset turnover and attractive margins

We mainly engage in property development and other businesses. We are the largest PRC residential property developer focusing on urbanization. We generally run a centralized and standardized business model that comprises property development, construction, decoration, property investment and hotel development and management, which we believe enables us to:

- offer a broad range of products, including residential projects, car parks and retail shops;
- achieve economies of scale and increase operating efficiency through pooling internal resources, thereby helping to further improve our profit margins;
- ensure consistent product quality;
- strengthen our bargaining power with suppliers and contractors to obtain good quality supplies and services at relatively low costs, which help increase our pricing flexibility;
- smoothen project execution to achieve quick asset turnover; and
- respond rapidly to changes in market environment.

We believe that a combination of our strong brand recognition, high quality product mix and competitive pricing model has enabled us to pre-sell a substantial portion of the properties in our projects.

We have a strong brand in Guangdong Province with increasing recognition nationwide

We believe our brand name ''Country Garden'' (碧桂園), as well as our guiding motto, ''Country Garden—Giving you a five-star home'' (碧桂園 — 給您一個五星級的家), have strong market recognition in the PRC. We believe this market recognition is a result of our high quality products and services as we aim to provide our customers with not only pleasant and comfortable homes in a clean and safe environment, but also higher living standards supported by comprehensive community facilities and services such as restaurants and catering, shopping, sports and leisure, transportation, education and domestic assistance. This market recognition has helped us to achieve our very well established position in the PRC property market.

We aim to strengthen the confidence and trust of our customers in our products and services, and to secure repeat customers and referrals for us, through an emphasis on quality property management and post-sales services. We believe that our strong financial performance demonstrates the trust that we have built with our customers and the recognition of our brand name and the quality of our products.

We have a highly effective management structure, experienced management team and professional workforce

We believe we have a highly effective management structure. Our headquarters in Guangdong Province vertically manages the principal functions of our operations, including land acquisitions, project design, human resources, financing planning and raw material procurement. As we expand into markets outside Guangdong, we have delegated certain functions such as project management and marketing to our project companies to facilitate smooth project execution, thereby enabling them to cater to local characteristics, shorten development cycles and quickly respond to changes in local market conditions.

Our senior management team has extensive industry knowledge, management skills and operating experience. Most of our management have been with us since our inception. In particular, Yeung Kwok Keung, our co-founder, has remained with our Company and has focused on our property development business since 1997. We believe management's interest is aligned with our interest given their substantial shareholdings in our Company. As of the date of this Offering Circular, our senior management (principally composed of our directors) in aggregate held an approximate 61.25% interest in our Company (excluding underlying shares).

Business strategies

Continue to focus on core property development business with a well balanced mix of property developments within and outside Guangdong Province

We intend to continue to grow our core property development business. We will actively look for suitable opportunities to develop residential communities in suburban areas of first-tier cities in the PRC as well as attractive opportunities in the newly urbanized town centers of second- and third-tier cities in the PRC where we believe we have promising economic growth potential. We believe this strategy is not only in line with China's urbanization trend of expanding existing urban boundaries of major cities and creating new urban clusters around second- and third-tier cities, but also complements our successful formula of controlling costs through our low-cost land bank, large-scale production and quick asset turnover. In particular, we have been expanding in city clusters in Shanxi, Henan, Hunan, Hubei, Beijing-Tianjin-Hebei-Liaoning-Shanxi-Shandong-Inner Mongolia Area, Sichuan, Chongqing, Bohai Rim, Middle Yangtze River, Yangtze River Delta and the Greater Bay Area. We will also continue to selectively look into opportunities outside of China as opportunities arise.

Since 2006, we have gradually expanded our operations outside Guangdong Province into 21 other provinces, five autonomous regions and four provincial level municipalities in China, as well as into Malaysia, Australia, Indonesia, India, Hong Kong, the United States, Thailand, the United Kingdom and New Zealand. We believe our geographical diversification efforts have provided us with a well balanced mix of property developments within and outside

Guangdong Province in the PRC. Guangdong Province, which is one of the most affluent provinces and fastest growing economies in China, will remain our principal market. Guangdong Province recorded a GDP per capita of approximately RMB81,089.0 in 2017, which is higher than the national average in 2017. We intend to continue to leverage our local knowledge and market reputation in Guangdong Province to further grow our business there. At the same time, we will continue to develop our existing projects in markets outside Guangdong Province, which have seen increased average selling prices over the years. Where suitable opportunities arise, we will also acquire more land and enter into new markets with high growth potential, within or outside the PRC. For example, we have expanded into and have five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England as of 30 June 2021.

We also intend to continue to develop high quality hotels in our large residential communities, as we believe they enhance the value and attractiveness of our residential community projects. We believe this strategy also improves our competitiveness during the land tender process, as high quality hotels are seen by local governments of second- and third-tier cities in the PRC as an important feature to attract visitors and improve the commercial appeal of the environment. We may consider engaging, and are currently in discussions with, certain international management firms to manage some of our hotels to further enhance the value of our hotel properties.

Continue to focus on developing properties having an attractive value-to-price ratio

We intend to continue to focus on our strategy of providing our customers with high-value properties at competitive prices. We will continue to leverage our expertise and industry experience to develop large-scale integrated residential communities featuring value-added facilities and services that cater to a broad end-user driven customer base. Our facilities include clubhouses, hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food and beverage outlets, and our services include childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centers. We endeavor to develop and refine our product design to accommodate changing market conditions and consumer preference. We will also encourage creativity and innovation in our product design through collaboration between our in-house experts and third-party professionals.

Maintain prudent financial management policies

We will continue to closely monitor our capital and cash positions, gauge our development scale and time our land acquisition and development schedule accordingly. We have budget and financing planning and cash management at the project level as well as the group level. We will continue to carefully manage our development costs for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Further strengthen our leading position and brand name recognition nationwide

We plan to further strengthen our leading position and our ''Country Garden'' brand name recognition in Guangdong Province and across China. To distinguish ourselves from our competitors, we plan to continue to promote the ''five-star home'' motto and apply this to the services offered to our existing and prospective customers to improve the living environment of our customers. We will continue to encourage our existing customers to refer potential purchasers to us through incentive schemes.

Enhance effective internal management and controls

We intend to continue to adopt the best practices and standards in the industry for corporate governance and internal controls, drawing on senior management's expertise and experience to facilitate our operations and expansion. We intend to further streamline our internal management functions by clearly defining the responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changes in market conditions.

We will continue to incentivize our management and employees and seek to attract and retain talent through a competitive remuneration package. We will continue to provide our employees with a variety of training and development programs to assist in their career development. We will also actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

Implement our business diversification strategy

We plan to implement our business expansion plans through our entrance to the robotics and agriculture sectors and intend on making additional investments in these sectors to capitalize on market demand and explore alternative revenue streams. In July 2018, we made our first investment into the robotics business, deploying capital to research and develop robotics for a selective range of industries, including construction, interior decoration, inspection, sanitation, healthcare, agriculture, logistics and artificial intelligence, which could bring operational synergies to our existing business. We currently have projects in the high-tech space seeking to develop robotics which can help in the context of the food industry, automated factories and the manufacture of computer chips.

In addition to the high-tech space we are also exploring opportunities to further develop modern agriculture techniques and contribute to the revitalization of the rural economy. The scope of services we intend on offering touch upon crop farming, animal husbandry, seed development and modification as well as agricultural machinery and mechanization. In order to develop such agricultural technologies we have engaged industry professionals to help us develop our technology and know-how and intend to collaborate with farmers to pilot some of the technologies we have and will in the future develop.

Adhere to the goals of poverty alleviation and contributing to society

We believe that relationships with local communities in and around the areas in which we operate, and the PRC more generally, are important for our business. We practice corporate social responsibility policies which foster empowerment and entrepreneurship, creating economically self-sustaining communities through job creation and investing in the economy of such communities through building modern agriculture parks, community operated factories and poverty alleviation workshops. Furthermore, as we believe that education is the key to poverty alleviation we have implemented education foundations and schools providing completely free education. Our Group and its founders have donated over RMB6.7 billion (US$948 million) to public welfare and charity since establishment.

Recent Developments

Unaudited Operating Figures

For the year ended 31 December 2021, we, together with our joint ventures and associates, achieved contracted sales attributable to the shareholders of the Company amounted to approximately RMB558.00 billion, with contracted sales GFA attributable to the shareholders of the Company of approximately 66.41 million square meters.

The preliminary figures disclosed above are derived from our management information, and are subject to change and may differ from those appear in our audited and unaudited financial statements to be published on yearly and half-yearly basis. The information shall not be taken as a measure or an indication of our current or future operating or financial performance. As such, the information disclosed above is strictly for information only and not for any other purposes. Investors are advised not to place any reliance on the information disclosed herein but to exercise due caution when dealing in the securities of the Company. Any investor who is in doubt is advised to seek advice from his/her professional advisors.

Issuance of Senior Notes

On 20 July 2021, we issued additional January 2026 Notes in an aggregate principal amount of US$200 million (the ''Additional January 2026 Notes''). See ''Description of other material indebtedness.''

Payment of Dividend

On 24 August 2021, we announced the amount of the interim dividend payable in Hong Kong dollars will be HK$25.26 cents per share, with the eligible shareholders, other than certain shareholders whose addresses as shown are outside Hong Kong, being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. Such interim dividend has been dispatched to eligible shareholders on 26 November 2020.

Partial Redemption of Convertible Bond

On 6 December 2021, certain holders of the 2023 Convertible Bond have exercised their put options under the terms and conditions of the 2023 Convertible Bond and accordingly, we redeemed and cancelled a principal amount of approximately HK$4.5 billion of the 2023 Convertible Bond, and the outstanding principal amount of the 2023 Convertible Bond immediately after the partial redemption was HK$3.0 billion.

Partial Repurchase of Senior Notes

On 15 December 2021, certain holders of the 2026 Notes have exercised their put options under the terms of the 2026 Notes and accordingly, we repurchased and cancelled a principal amount of approximately US$26.31 million of the 2026 Notes, and the outstanding principal amount of the 2026 Notes immediately after the partial repurchase was US$323.69 million.

On 30 December 2021, we announced the repurchase of an aggregate principal amount of US$14,100,000 of the January 2022 Notes from the open market and we would cancel the repurchased January 2022 Notes accordingly.

On 17 January 2022, we announced the repurchase of an aggregate principal amount of (i) US$5,000,000 of the 2022 Notes and (ii) US$5,000,000 of the April 2026 Notes from the open market and we would cancel the repurchased 2022 Notes and April 2026 Notes accordingly.

COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, the pandemic is far from over, especially with the emergence of new variants such as the Delta variant. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. The adverse impact of COVID-19 on our construction and sales operation as well as on property buyers may have a material adverse impact on our business, financial condition, results of operation, performance and prospects. We cannot assure you that our business, financial condition and results of operation will not be materially and adversely affected. See ''Risk Factors-Our results of operation, financial condition and cash flow may be adversely and materially affected by the COVID-19 pandemic.''

Overview of our property developments

We have obtained all the relevant land use rights certificates for land of our completed properties and obtained all or a portion of land use rights certificates for land of our properties under development. Further, we have property interests derived from land use rights transfer agreements, compensation agreements or land grant contracts to develop residential properties in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Jiangxi Province, Guangxi Zhuang Autonomous Region, Hainan Province, Liaoning Province, Henan Province, Guizhou Province, Tianjin Municipality, Shanxi Province, Shaanxi Province, Hebei Province, Zhejiang Province, Yunnan Province, Inner Mongolia Autonomous Region, Xinjiang Uygur Autonomous Region, Tibet Autonomous Region, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province, Jilin Province, Beijing, Shanghai and Heilongjiang Province. As of 30 June 2021, we had not yet obtained land use rights certificates to these parcels of land and these land parcels are vacant land for future development purposes.

In the PRC, the relevant properties in a property development project are treated as completed when the local government authorities issue a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表). The relevant properties in a property development project in the PRC are treated as having received that certification when we have provided the relevant government authorities with, among other things, the following documents and when an official seal has been affixed to the inspection-for-completion form:

- Relevant approvals and acceptance documents from the bureau of planning, public security and fire services and environmental protection;
- Completed Construction Works Certified Report (建設工程竣工驗收報告);
- Construction Permit (建設工程施工許可證);
- Project Quality Assessment Report (工程質量評估報告);
- Quality Inspection Report on Investigation and Design Documentation (勘察、設計文件質量檢查報告); and
- Inspection Report on the Quality of Construction Projects (建設工程質量監督報告).

A property in the PRC is treated as ''under development'' immediately following the issuance of the Construction Permit until the time of issuance of the Certification of Completion.

Unless otherwise indicated, we have obtained the relevant land use rights certificates, development and operation rights or land title for our properties referred to in this Offering Circular. As our projects typically comprise multi-phase developments that are developed on a rolling basis, a single project may include a number of phases that are variously completed, still under development or held for future development.

The site area information for an entire project is based on the relevant land use rights certificates, development and operation rights or land title. The aggregate GFA of an entire project is calculated by multiplying its site area by:

- the plot ratio specified in other approval documents from the local governments relating to the project;
- the maximum permissible plot ratio as specified in the relevant land grant contracts; or
- such lower plot ratio as we reasonably expect to be able to develop for such project.

The aggregate GFA of a project includes both saleable and non-saleable GFA. Non-saleable GFA refers to certain communal facilities, including transformer rooms and guard houses.

A property is treated as ''sold'' when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document. A property is treated as ''pre-sold'' when the purchase contract has been executed but the property has not yet been delivered to the customer.

The project names used in this Offering Circular are the names that we have used, or intend to use, to market our properties.

The following table sets forth the information of our top 100 projects with the highest contracted sales in the PRC as of 30 June 2021[(1)]:

Top 100 projects with the highest attributable contracted sales in the six months ended 30 June 2021 in Mainland China[(1)]

				Completed property developments[(2)]				Properties under development[(3)]				Properties for future development[(4)]		
Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	Completion date	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
			sq.m.	sq.m.	sq.m.	sq.m.		sq.m.	sq.m.			sq.m.		
1	Country Garden — Songhu Pearl (碧桂園•松湖明珠)	Dongguan (Hengli)	237,787					237,787	145,297	30-Oct-20	1st Quarter, 2023			
2	Country Garden — Phoenix City (碧桂園•鳳凰城)	Zhenjiang (Jurong)	6,893,935	3,878,886	3,789,954	82,932	24-May-21	1,247,632	647,567	25-Oct-19	4th Quarter, 2024	1,767,417	3rd Quarter, 2021	4th Quarter, 2025
3	Country Garden — Wangjiang Yipin (碧桂園•望江一品)	Taizhou (Jingjiang)	106,222					106,222	101,051	30-Nov-20	4th Quarter, 2023			
4	Lanzhou Country Garden (蘭州碧桂園)	Lanzhou (Chengguan)	5,624,760	2,168,426	2,156,652	1,938	9-Feb-21	1,507,843	1,241,472	25-Jul-16	4th Quarter, 2024	1,948,491	2nd Quarter, 2022	4th Quarter, 2025
5	Country Garden — Berry Bay (碧桂園•柏麗灣)	Dongguan (Shatian)	172,360	122,973	122,973		30-Jun-14	49,387	42,830	24-Dec-20	4th Quarter, 2022			
6	Country Garden Urban Forest (碧桂園都市森林)	Changzhou (Wujin)	339,355					272,596	266,654	25-Oct-19	4th Quarter, 2022	66,759	3rd Quarter, 2021	4th Quarter, 2024
7	Asian Games Town (亞運城)	Guangzhou (Panyu)	1,060,311	647,213	646,246	300	29-Dec-20	329,188	184,638	18-Nov-14	4th Quarter, 2023	83,910	3rd Quarter, 2021	4th Quarter, 2024
8	Country Garden — Jiududhui (碧桂園•玖都薈)	Taizhou (Wenling)	90,120					90,120	81,908	16-Nov-20	3rd Quarter, 2023			
9	Country Garden — Tianyue Mansion (碧桂園•天樾府)	Lianyungang (Ganyu)	205,693					205,693	202,612	29-Nov-20	4th Quarter, 2023			
10	Country Garden — Coral Palace (碧桂園•珊瑚宮殿)	Lingshui (directly under the Jurisdiction)	1,317,188	1,276,301	1,221,292	243	22-Feb-21	23,657		7-Nov-14	1st Quarter, 2022	17,230	3rd Quarter, 2021	2nd Quarter, 2023
11	Country Garden — Yunjing (碧桂園•雲境)	Lishui (Liandu)	161,507					161,507	120,806	10-Mar-21	4th Quarter, 2023			
12	Country Garden — Didang Lake (碧桂園•迪蕩湖)	Shaoxing (Yuecheng)	118,961					118,961	89,755	20-Dec-19	4th Quarter, 2022			
13	Country Garden — Ji Yang Mansion (碧桂園•暨陽府)	Wuxi (Jiangyin)	682,857	324,116	321,591		29-Sep-20	358,741	318,058	14-May-20	4th Quarter, 2023			
14	Country Garden Shenhui City (碧桂園深薈城)	Huizhou (Huiyang)	388,953	238,771	238,723		19-Nov-18	150,182	139,468	30-Jul-20	2nd Quarter, 2023			
15	Country Garden — Tongquetai (碧桂園•銅雀臺)	Dongguan (Machong)	215,964	111,579	62,681	16,664	31-Mar-21	104,385	84,597	30-Sep-20	2nd Quarter, 2022			
16	Country Garden Hill Lake City (碧桂園山湖城)	Qingyuan (Qingcheng)	1,997,775	1,632,608	1,630,836	1,519	30-Dec-20	365,167	313,002	17-Jan-20	4th Quarter, 2023			
17	Country Garden — 28 light years (碧桂園•28光年)	Foshan (Shunde)	110,493					110,493	84,913	11-Nov-20	4th Quarter, 2022			
18	Anning Country Garden (安寧碧桂園)	Lanzhou (Anning)	373,533					370,161	261,036	22-Nov-19	4th Quarter, 2023	3,372	3rd Quarter, 2021	4th Quarter, 2023
19	Country Garden — Jiuxi (碧桂園•玖璽)	Shanghai (Minhang)	37,230					37,230	37,230	20-Jun-20	2nd Quarter, 2022			
20	Country Garden — Fenglin Mansion (碧桂園•鳳麟府)	Yancheng (Yandu)	78,424					78,424	55,890	27-Nov-20	3rd Quarter, 2023			
21	Country Garden Yue Mansion (碧桂園•樾府)	Dongguan (Xiegang)	102,425					102,425	57,145	7-Feb-21	2nd Quarter, 2024			
22	Shaoguan Country Garden — Sun City (韶關碧桂園•太陽城)	Shaoguan (Wujiang)	3,528,459	2,256,013	2,253,275	2,048	14-May-21	570,906	177,213	28-Jun-17	3rd Quarter, 2023	701,540	3rd Quarter, 2021	4th Quarter, 2025
23	Country Garden — Yunyue Bizhen (碧桂園•雲樾碧臻)	Foshan (Nanhai)	191,071					191,071	61,962	20-Nov-20	3rd Quarter, 2023			
24	Country Garden — Phoenix City (碧桂園•鳳凰城)	Zhongshan (Southern District)	954,601	467,574	350,635	113,755	17-Dec-20	351,577	51,377	5-Feb-21	4th Quarter, 2023	135,450	3rd Quarter, 2021	4th Quarter, 2025
25	Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	3,577,793	2,914,513	2,904,886	217	5-Aug-20	592,942	391,429	30-Sep-19	4th Quarter, 2024	70,338	3rd Quarter, 2021	4th Quarter, 2025
26	Anqing Country Garden (安慶碧桂園)	Anqing (Yingjiang)	2,850,566	2,203,722	2,203,722		13-Jun-19	523,889	354,768	30-Oct-19	4th Quarter, 2024	122,955	3rd Quarter, 2021	4th Quarter, 2025
27	Nanjing City eslite (南京都會誠品)	Nanjing (Pukou)	119,487					69,612	28,281	2-Dec-20	2nd Quarter, 2023	49,875	3rd Quarter, 2021	2nd Quarter, 2024
28	Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,441,695	1,706,356	1,700,887		28-Jun-20	266,361	105,009	8-May-20	4th Quarter, 2023	468,978	1st Quarter, 2022	4th Quarter, 2025
29	Country Garden — Light of Metropolis (碧桂園•都會之光)	Lishui (Liandu)	57,148					57,148	44,698	25-Dec-20	4th Quarter, 2022			
30	Country Garden — Lingjiang Mansion (碧桂園•陵江府)	Yangzhou (Guangling)	174,987					174,987	144,027	19-Nov-19	4th Quarter, 2022			
31	Country Garden — Fengxiang Garden (碧桂園•鳳翔花園)	Huizhou (Zhongkai)	110,704					110,704	105,950	20-May-20	4th Quarter, 2022			
32	Taicang Wanda South Country Garden (太倉萬達南碧桂園)	Suzhou (Taicang)	81,602					81,602	81,602	10-Jun-20	4th Quarter, 2022			
33	Country Garden Phoenix City (碧桂園鳳凰城)	Baoji (Weibin)	1,017,922	189,594	189,328		15-Mar-21	310,627	230,515	14-Jun-19	2nd Quarter, 2023	517,701	1st Quarter, 2022	2nd Quarter, 2025
34	Quzhou Peninsula Country Garden (衢州半島碧桂園)	Quzhou (Kecheng)	91,422					91,422	91,422	22-Nov-19	3rd Quarter, 2022			
35	Country Garden — Changqiao Jiangshan (碧桂園•長橋江山)	Chongqing (Beibei)	254,693	64,393	59,886	853	10-Oct-18	108,295	59,592	25-Mar-20	4th Quarter, 2023	82,005	3rd Quarter, 2021	4th Quarter, 2024
36	Country Garden — Ten Miles Beach Weigang Bay (碧桂園．十裡銀灘維港灣)	Huizhou (Huidong)	864,770	449,414	308,760	75,592	11-May-21	319,130	188,769	24-Apr-19	4th Quarter, 2023	96,226	3rd Quarter, 2021	4th Quarter, 2024

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments[2]: Total completed saleable GFA	Completed property developments[2]: Total saleable GFA sold and delivered	Completed property developments[2]: Total saleable GFA pre-sold pending delivery	Completed property developments[2]: Completion date	Properties under development[3]: Total saleable GFA under development	Properties under development[3]: Total saleable GFA pre-sold	Properties under development[3]: Actual/Estimated pre-sale commencement date	Properties under development[3]: Estimated completion date	Properties for future development[4]: GFA for future development	Properties for future development[4]: Estimated pre-sale commencement date	Properties for future development[4]: Estimated completion date
			sq.m.	sq.m.	sq.m.	sq.m.		sq.m.	sq.m.			sq.m.		
37	Country Garden — Bingjiang NO1 (碧桂園•濱江壹號)	Wenzhou (Lucheng)	42,344					42,344	39,539	19-May-20	4th Quarter, 2022			
38	Country garden — Binjiang Mansion (碧桂園•濱江府)	Huizhou (Boluo)	376,149	107,676	107,255		26-Oct-20	250,997	147,626	21-Nov-19	2nd Quarter, 2023	17,476	3rd Quarter, 2021	2nd Quarter, 2023
39	Country Garden — Shiguangli (碧桂園•拾光里)	Urumqi (Shaybak)	143,543					143,543	102,224	22-Oct-20	3rd Quarter, 2023			
40	Country Garden — Yunjing (碧桂園•雲璟)	Qingyuan (Yingde)	392,191	197,296	197,060		14-Jan-21	156,335	134,466	10-Aug-20	1st Quarter, 2024	38,560	3rd Quarter, 2021	2nd Quarter, 2024
41	Country Garden — Longyue Bay (碧桂園•瓏樾灣)	Dazhou (Tongchuan)	239,242					239,242	226,199	1-Nov-19	4th Quarter, 2023			
42	Xiangcheng Country Garden (項城碧桂園)	Zhoukou (Xiangcheng)	221,568					221,568	118,232	14-May-21	3rd Quarter, 2024			
43	Country Garden — Yunding (碧桂園•雲頂)	Taiyuan (Yingze)	71,485					71,485	55,544	26-Nov-20	4th Quarter, 2024			
44	Country garden Guangming Yueheming (碧桂園光明碧玥和鳴)	Changzhou (Xinbei)	80,274					80,274	77,774	8-Nov-19	2nd Quarter, 2023			
45	Sanya International Media Center (三亞國際傳媒中心)	Sanya (Jiyang)	70,119	14,141	13,733		28-Jun-19	55,978	41,490	29-Jun-20	4th Quarter, 2023			
46	Country Garden — Jiujin Platform (碧桂園•玖錦台)	Luoyang (Luolong)	178,232					178,232	178,232	22-Jan-20	4th Quarter, 2023			
47	Country Garden Harbour City Impression (碧桂園港城印象)	Ningbo (Xiangshan)	70,594					70,594	66,459	20-Apr-20	2nd Quarter, 2022			
48	Country Garden — Xingxi Tai (碧桂園•星禧台)	Guangzhou (Zengcheng)	86,054					86,054	41,516	16-Apr-21	3rd Quarter, 2023			
49	Country Garden Fenghua Sihai (碧桂園風華四海)	Jiaxing (Haiyan)	74,317					74,317	69,930	23-Dec-19	1st Quarter, 2022			
50	Changshu Guli Country Garden (常熟古裡碧桂園)	Suzhou (Changshu)	186,488	186,488	161,382	2,238	24-May-21							
51	Wenxian Country Garden (溫縣碧桂園)	Jiaozuo (Wenxian)	458,556					135,895	113,269	28-Apr-21	4th Quarter, 2023	322,661	3rd Quarter, 2021	2nd Quarter, 2025
52	Country Garden Time City (碧桂園時代城)	Xinxiang (Hongqi)	206,523					206,523	167,506	17-Apr-20	4th Quarter, 2023			
53	Country Garden — Longyue Lanting (碧桂園•瓏悦蘭庭)	Xining (Chengzhong)	278,895					237,556	214,293	22-Nov-19	3rd Quarter, 2023	41,339	3rd Quarter, 2021	3rd Quarter, 2024
54	Shishi Country Garden (石獅碧桂園)	Quanzhou (Shishi)	225,801	64,194	39,880	23,220	30-Oct-20	161,607	100,650	23-Aug-18	4th Quarter, 2023			
55	Country Garden — Star works (碧桂園•星作)	Hohhot (New Urban Area)	254,288					89,880	58,642	24-Nov-20	3rd Quarter, 2023	164,408	2nd Quarter, 2022	4th Quarter, 2025
56	Country Garden — Fengqitai (碧桂園•鳳栖台)	Datong (Pingcheng)	395,727					344,223	148,410	30-Sep-20	4th Quarter, 2023	51,504	3rd Quarter, 2021	4th Quarter, 2024
57	Country Garden Center — Tian Chen (碧桂園中心•天宸)	Tianjin (Beichen)	91,889					91,889	74,101	13-Dec-19	4th Quarter, 2022			
58	Country Garden — North City Image (碧桂園•北城映象)	Kunming (Panlong)	513,899	137,029	136,258	123	19-Aug-20	376,870	175,668	14-Jun-19	2nd Quarter, 2023			
59	Country Garden Tianyue Bay (碧桂園天悦灣)	Zhumadian (Yicheng)	187,780					181,690	119,324	13-Dec-19	4th Quarter, 2023	6,090	3rd Quarter, 2021	4th Quarter, 2023
60	Country Garden — Capital of Emerald (碧桂園•翡翠首府)	Dezhou (Wucheng)	252,049					252,049	177,750	12-Nov-18	2nd Quarter, 2024			
61	Country Garden — Golden Age (碧桂園•黃金時代)	Jiangmen (Heshan)	146,260	40,080		39,747	31-Dec-20	106,180	95,575	25-Oct-19	4th Quarter, 2022			
62	Country Garden Lion Ocean (碧桂園獅子洋)	Dongguan (Shatian)	87,697	34,271	34,271		17-May-19	53,426	30,232	9-Apr-21	4th Quarter, 2022			
63	Country Garden — Capital of the city (碧桂園•城央首府)	Meishan (Hongya)	349,713	76,116		74,321	4-Jun-21	246,646	184,799	29-Apr-19	4th Quarter, 2023	26,951	3rd Quarter, 2021	4th Quarter, 2023
64	Country Garden — Jiangshan Fu (碧桂園•江山賦)	Yibin (Cuiping)	246,403					167,961	113,025	27-May-20	2nd Quarter, 2023	78,442	3rd Quarter, 2021	4th Quarter, 2023
65	Country Garden — Yandu Mansion (碧桂園•燕都府)	Chaoyang (Shuangta)	218,149					218,149	202,446	11-Jun-20	3rd Quarter, 2023			
66	Haidian Green Lake Country Garden (海澱翠湖碧桂園)	Beijing (Haidian)	47,189					47,189	40,750	17-Mar-19	4th Quarter, 2021			
67	Fuyong Country Garden Lingyu (福永碧桂園領寓)	Shenzhen (Bao 'an)	163,377	111,008	110,944		18-Jan-19	52,369	52,370	8-Sep-20	2nd Quarter, 2022			
68	Country Garden — Binjiang Times (碧桂園•濱江時代)	Meizhou (Fengshun)	648,333					249,468	156,512	10-Jun-20	4th Quarter, 2024	398,865	1st Quarter, 2022	2nd Quarter, 2025
69	Linfen Country Garden (臨汾碧桂園)	Linfen (Yaodu)	195,211					195,211	187,575	6-Nov-18	3rd Quarter, 2023			
70	Country Garden — Central Era (碧桂園•正央時代)	Loudi (Louxing)	241,543					241,543	197,785	30-Apr-20	1st Quarter, 2024			
71	Country Garden — Jiangshan Seal (碧桂園•江山印)	Xinxiang (Huixian)	463,643					128,634	76,122	25-Apr-21	2nd Quarter, 2024	335,009	4th Quarter, 2021	4th Quarter, 2025
72	Country Garden — Shanyue Yunting (碧桂園•山樾雲庭)	Suzhou (Huqiu)	58,890					58,890	42,841	15-Sep-20	2nd Quarter, 2022			
73	Country Garden new sea cloud Valley (碧桂園新海雲谷)	Lianyungang (Haizhou)	308,900	67,850	66,899		8-Feb-21	87,357	57,063	11-Jul-19	4th Quarter, 2023	153,693	3rd Quarter, 2021	2nd Quarter, 2024
74	Country Garden — Park City (碧桂園•公園上城)	Haikou (Longhua)	153,075	117,281		117,182	16-Jun-21	35,794	35,795	27-May-20	4th Quarter, 2022			
75	Country Garden — North Sea Sunshine (碧桂園•北海陽光)	Beihai (Haicheng)	514,331	54,796	53,216	1,300	30-Apr-21	290,926	214,785	11-Jan-19	4th Quarter, 2022	168,609	4th Quarter, 2021	4th Quarter, 2023
76	Country Garden — Guoyuefu (碧桂園•國岳府)	Liaocheng (Dongchangfu)	240,317					240,317	234,728	23-Nov-18	3rd Quarter, 2023			
77	Country Garden — Tianchen (碧桂園•天宸)	Dezhou (Linyi)	280,334	91,889	91,464	426	10-Jun-21	188,445	174,400	28-Apr-18	3rd Quarter, 2023			
78	Country Garden Yinyi — City impression (碧桂園銀億•大城印象)	Shenyang (Yuhong)	872,859	144,614	137,655	2,970	1-Jun-21	429,420	295,564	27-Nov-18	4th Quarter, 2023	298,825	2nd Quarter, 2022	4th Quarter, 2025
79	Country Garden — Wenjing Mansion (碧桂園•文景府)	Xi 'an (Weiyang)	126,950					119,497	113,279	28-Feb-20	1st Quarter, 2023	7,453	3rd Quarter, 2021	2nd Quarter, 2023
80	Xinda Country Garden (信達碧桂園)	Hefei (Feidong)	97,763					52,226	39,616	25-Dec-20	2nd Quarter, 2023	45,537	3rd Quarter, 2021	2nd Quarter, 2024
81	Country Garden — Zishan Mansion (碧桂園•梓山府)	Yiyang (Heshan)	688,325	283,036	282,765		22-Jan-21	393,235	359,070	25-Jun-18	4th Quarter, 2023	12,054	3rd Quarter, 2021	4th Quarter, 2023
82	Luoyang Country Garden (洛陽碧桂園)	Yiyang (Yibin)	373,335	176,368	175,772		25-May-17	196,967	104,822	12-Nov-20	2nd Quarter, 2023			

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments[(2)] Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	Completion date	Properties under development[(3)] Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	Properties for future development[(4)] GFA for future development	Estimated pre-sale commencement date	Estimated completion date
			sq.m.	sq.m.	sq.m.	sq.m.		sq.m.	sq.m.			sq.m.		
83	Country Garden — Qiaochu Tang (碧桂園•翹楚棠)	Yongzhou (Qiyang)	212,075					102,315	64,109	18-Mar-21	1st Quarter, 2024	109,760	3rd Quarter, 2021	2nd Quarter, 2024
84	Country Garden — Chaoming (碧桂園•潮鳴)	Jinhua (Yiwu)	61,105					61,105	40,822	9-Mar-21	4th Quarter, 2022			
85	Country Garden — Splendid West Lake (碧桂園•錦綉西湖)	Jinzhou (Taihe)	268,618					268,618	223,210	25-Sep-19	4th Quarter, 2022			
86	Country Garden — Star Icon (碧桂園•星薈)	Binzhou (Boxing)	141,784					141,784	133,851	15-Nov-19	4th Quarter, 2022			
87	Country Garden — Yunzhu (碧桂園•雲著)	Qingdao (Shibei)	105,011					105,011	88,142	15-Oct-19	2nd Quarter, 2022			
88	Country Garden Boyu Mansion (碧桂園鉑譽府)	Tianjin (Baodi)	119,536					119,536	93,793	29-Sep-19	4th Quarter, 2022			
89	Country Garden — Yunding (碧桂園•雲頂)	Shenyang (Hunnan)	588,632					158,167	60,814	19-May-21	3rd Quarter, 2023	430,465	3rd Quarter, 2021	4th Quarter, 2025
90	Country Garden — Longcheng Era (碧桂園•龍城時代)	Quzhou (Longyou)	116,617					94,318	25,632	20-May-21	2nd Quarter, 2024	22,299	3rd Quarter, 2021	3rd Quarter, 2024
91	Country Garden Tianxi Bay (碧桂園•天璽灣)	Tangshan (Qianxi)	242,561					242,561	198,594	28-May-19	4th Quarter, 2023			
92	Country Garden daiming mansion (碧桂園大名府)	Nantong (Qidong)	500,920	471,394	414,741	50,651	29-Apr-21	29,526	25,827	2-Dec-20	2nd Quarter, 2023			
93	Shunde Future City (順德未來城)	Foshan (Shunde)	111,965					107,262	58,931	12-Apr-19	3rd Quarter, 2022	4,703	3rd Quarter, 2021	2nd Quarter, 2023
94	Country Garden Zhongzhou — Yunlu Garden (碧桂園•中洲•雲麓花園)	Huizhou (Zhongkai)	109,998					109,998	66,636	5-Jun-20	2nd Quarter, 2023			
95	Country Garden city light (碧桂園都會之光)	Suqian (Suyu)	141,216					141,216	135,770	28-Nov-19	2nd Quarter, 2024			
96	Country Garden — Daming Mansion (碧桂園•大名府)	Maoming (Maonan)	242,029	130,905	62,957	62,495	18-Jun-21	97,137	63,482	17-Aug-20	4th Quarter, 2022	13,987	3rd Quarter, 2021	2nd Quarter, 2023
97	Country Garden future City Yanhuli (碧桂園未來城燕湖里)	Qingyuan (Qingcheng)	179,602					179,602	88,164	9-Jun-20	4th Quarter, 2023			
98	Xin'an Country Garden (新安碧桂園)	Luoyang (Yibin)	298,276					260,975	219,565	2-Jun-20	4th Quarter, 2023	37,301	3rd Quarter, 2021	4th Quarter, 2023
99	Country Garden — Taibai Garden (碧桂園•太白園築)	Jining (Rencheng)	74,022					74,022	55,773	16-Sep-20	2nd Quarter, 2023			
100	Cixi Hangzhou Bay (慈溪杭州灣)	Ningbo (Cixi)	495,547					452,186	318,171	29-Sep-18	4th Quarter, 2022	43,361	3rd Quarter, 2021	4th Quarter, 2022

Notes:

(1) All the GFAs displayed in this section are attributable to the owners of the Company.

(2) Based on the measurement reports from relevant government departments.

(3) Based on the actual measurements by the project management department of the Group.

(4) ''GFA for future development'' for each project is the GFA expected to be built.

As of 30 June 2021, our project companies had entered into land grant contracts or land grant confirmation letters in respect of land in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Guizhou Province, Jiangxi Province, Qinghai Province, Hainan Province, Tianjin Municipality, Shanxi Province, Shaanxi Province, Hebei Province, Guangxi Zhuang Autonomous Region, Liaoning Province, Henan Province, Shanghai Municipality, Beijing Municipality, Jilin Province, Gansu Province, Yunnan Province, Inner Mongolia Autonomous Region, Xinjiang Uygur Autonomous Region, Tibet Autonomous Region, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province, Jilin Province, Beijing, Shanghai and Heilongjiang Province. We have not yet paid any portion of the land premium for certain parcels of such land. As of 30 June 2021, we had not obtained land use rights certificates or land title in respect of these parcels of land. We cannot assure you that we will obtain the land use rights certificates or land title in respect of these parcels of land in a timely manner or at all. Further, we have not commenced any construction or preparation of construction relating to these parcels of land, nor do we have any detailed plans for them.

Description of our property projects

The following maps show the regions where our 3,127 projects in China are located as of 30 June 2021:

In terms of a breakdown of our Group's domestic contracted sales in the PRC, as of 30 June 2021, approximately 46% of our Group's contracted sales were derived from our projects which targeted the first and second-tier cities in China, while approximately 54% of our Group's contracted sales in the PRC were derived from our projects that targeted third- and fourth-tier cities.

As of 30 June 2021, we had five projects in Malaysia, four projects in Australia, three projects in Indonesia, three projects in India, two projects in Hong Kong, three projects in the United States, two projects in New Zealand, seven projects in Thailand and one project in England.

The following table sets forth the information of our landbank GFA breakdown in the PRC by location as of 30 June 2021[1]:

		Completed property developments[2]			Properties under development[3]		Properties for future development[4]
Province/Location	Aggregate saleable GFA	Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	Total saleable GFA under development	Total saleable GFA pre-sold	GFA for future development
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Guangdong	140,559,261	88,739,113	86,336,240	1,640,238	27,689,541	11,352,127	24,130,607
Jiangsu	53,142,013	29,338,838	28,469,901	515,359	16,398,599	9,965,221	7,404,576
Anhui	38,084,069	25,160,454	24,842,697	152,776	10,281,755	6,371,389	2,641,860
Hunan	34,581,834	14,437,217	13,784,388	437,477	12,728,655	7,369,853	7,415,962
Henan	31,563,591	8,785,951	8,548,114	141,156	16,412,530	9,905,471	6,365,110
Shandong	27,879,847	8,514,978	8,008,523	289,802	13,374,486	7,373,117	5,990,383
Hubei	25,851,936	13,520,357	13,265,827	128,284	7,808,466	3,495,069	4,523,113
Guangxi	19,920,385	8,655,933	8,483,310	122,752	8,327,248	5,451,899	2,937,204
Zhejiang	17,879,449	9,626,803	9,225,716	132,856	7,367,215	5,363,658	885,431
Liaoning	15,561,732	8,415,980	8,321,566	14,247	3,348,768	1,842,536	3,796,984
Sichuan	15,383,270	5,781,643	5,485,030	234,699	6,165,271	3,737,843	3,436,356
Hebei	15,173,538	4,598,783	4,444,240	54,286	7,317,050	3,757,560	3,257,705
Guizhou	15,004,558	7,310,332	6,813,178	381,953	5,020,331	2,857,544	2,673,895
Shaanxi	10,517,903	3,525,865	3,170,143	295,035	4,372,888	2,414,753	2,619,150
Jiangxi	10,187,880	4,403,151	4,242,309	119,052	4,223,761	2,468,414	1,560,968
Gansu	9,138,398	3,349,938	3,317,743	4,452	3,296,662	2,206,543	2,491,798
Fujian	9,129,033	6,085,961	5,766,118	195,641	2,539,985	1,226,271	503,087
Hainan	8,086,358	3,773,814	3,319,125	235,691	2,151,708	775,747	2,160,836
Chongqing	6,202,444	3,707,112	3,546,757	114,487	1,914,721	928,341	580,611
Inner Mongolia	6,008,589	2,213,518	2,051,522	137,653	1,195,743	632,441	2,599,328
Yunnan	5,826,648	1,885,938	1,854,701	12,806	2,916,613	1,405,127	1,024,097
Shanxi	5,669,890	618,794	603,781	256	3,212,018	1,919,730	1,839,078
Tianjin	3,933,251	1,873,818	1,782,958	37,766	1,215,191	761,202	844,242
Xinjiang	3,370,731	55,258	52,877	1,298	1,715,473	1,074,644	1,600,000
Qinghai	1,895,838	681,048	669,876	5,793	980,957	654,558	233,833
Jilin	1,545,069	349,440	322,866	6,195	920,118	481,276	275,511
Shanghai	1,281,911	468,745	400,563	35,842	376,757	170,312	436,409
Ningxia	1,220,066	546,637	533,730	1,701	574,597	425,029	98,832
Beijing	1,161,599	83,264	83,009	62	469,268	121,940	609,067
Heilongjiang	1,090,623	442,203	438,362	3,841	513,549	133,539	134,871
Tibet	174,162	36,147	35,917	0	138,015	77,021	0
Total	**537,025,876**	**266,987,033**	**258,221,089**	**5,453,457**	**174,967,939**	**96,720,175**	**95,070,904**

Notes:
(1) All the GFAs displayed in this section are attributable to the owners of the Company.
(2) Based on the measurement reports from relevant government departments.
(3) Based on the actual measurements by the project management department of the Group.

(4) ''GFA for future development'' for each project is the GFA expected to be built.

Property development

Our property development and project management procedures

We integrate our resources to conduct land acquisition, planning, project design and construction, sales and post-sales support, and a series of development works. These areas are coordinated and supervised by our central management and carried out by our various functional departments, subsidiaries, and affiliates. We have also established a regional project management structure with a view to further strengthening our project management capabilities and efficiency as our operations continue to grow both inside and outside Guangdong Province. Under this regional project management structure, we currently divide our property development operations into 38 regions. Each region has a designated regional director responsible for overseeing property development.

Site selection

Site selection is a fundamental step in our property development process. A team of full-time staff members is designated for identifying sites in the PRC, Malaysia, Indonesia and Australia for prospective property development. Our pre-acquisition site visits and investigations, in conjunction with research and analysis, enable us to understand the general trends and specific conditions of target property markets when assessing the suitability for development of a particular site. When selecting sites for our development projects, we usually apply the following criteria:

- geographical location of the development sites, for example, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications; and
- estimated cost, investment and financial return.

Our marketing and sales center and our design service providers are involved in the early stages of the site identification process. The marketing and sales center carries out research and analysis relating to potential market demand. Design services, including planning and concept design, are provided by Guangdong Elite Architectural Co., Ltd. (''Guangdong Elite Architectural Co., Ltd.''), which is our affiliate and principal design service provider.

Upon completion of the preliminary feasibility studies, our executive directors become closely involved in the assessment process by conducting on-site visits before deciding whether to proceed with the acquisition of a site.

Once we have decided to acquire a site, Guangdong Elite Architectural Co., Ltd. begins its preliminary site-planning work.

Land acquisition

Prior to July 2002, we acquired some of our land use rights through a land grant contract or a land transfer agreement entered into with local government authorities. Since 1 July 2002, the PRC government introduced regulations requiring that the land transferred from government authorities be sold by a public tender, auction or listing-for-sale. Prior to submitting a tender, we analyze the market and estimate the budget required to develop the project. To acquire a parcel of land, we first need to be successful in the public tender, auction or the listing-for-sale process. In addition, we may also acquire corporate entities that hold land use rights or property projects.

As of 30 June 2021, most of our land banks were located in Guangdong, Jiangsu, Henan, Hunan, Shandong, Anhui, Hubei, Guangxi, Hebei, Sichuan and other provinces, representing 19%, 9%, 8%, 7%, 7%, 5%, 5%, 4%, 4%, 4% and 28% of our total GFA in China, respectively.

As of 30 June 2021, we had an aggregate saleable GFA under development and for future development of approximately 270,038,843 sq.m. for which we have obtained the relevant land use rights certificates, development and operation rights or land title. We estimate that our current land reserves will be sufficient for our development needs for the next three to five years.

In addition, as of 30 June 2021, our project companies had entered into land grant contracts or land transfer contracts in respect of land in various cities in Guangdong Province, 21 other provinces, five autonomous regions and four municipalities in China, for which we have applied or were in the process of applying for land use rights certificates or land title.

In certain cases where we are interested in acquiring land in the PRC, we assist local governments in clearing the land and relocate the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. If we are interested in bidding for the land, we are required to go through the tender, auction and listing-for-sale process as with other developers and there can be no assurance that we will win the bid. See ''Risk factors—Risks relating to our business—We may not receive full compensation for assistance we provide to local governments to clear land for government land sales.''

Our ability to acquire land for development is subject to extensive regulations issued by the PRC central and local governments. Further to the requirement of public tender, auction and listing-for-sale, on 28 September 2007, the Ministry of Land and Resources issued a new regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective 1 November 2007.

On 18 November 2009, the MOF, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued 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), which raises the minimum down payment for land premiums to 50% of the total premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On 8 March 2010, the Ministry of Land and Resources issued the ''Circular on Strengthening Real Estate Land Supply and Supervision'' (關於加強房地產用地供應和監管有關問題的通知) under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions.

On 23 May 2012, the Ministry of Land and Resources issued the ''Catalog of Restricted Use of Land (2012 Version Supplement)'' (限制用地項目目錄(2012年本增補本)) and the ''Catalog of Prohibited Use of Land (2012 Version Supplement)'' (禁止用地項目目錄(2012年本增補本)) which provides that the area of a parcel of land granted for commodity housing development must not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities.

As a result of these regulations, property developers in the PRC are no longer allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land and commence development, which was the practice in many Chinese cities. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at a reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of these regulations. We believe that larger property developers like ourselves generally are in a better position to compete for large pieces of land because they normally are in a stronger financial condition.

In Malaysia, Australia, Indonesia, India, Hong Kong, United States and Thailand, we rely on local counsel and consultants to guide us through the land acquisition process and assist us in entering into various sales and purchase agreements to acquire land sites for development.

Financing property developments and land premium

We finance our property developments through a combination of internal funds derived from sales proceeds and shareholder contributions as well as external financings mainly through bank loans and equity and debt financing in the international capital markets. We typically use internal funds and proceeds from capital markets financings to pay for the land acquisition costs and use internal funds and project loans from PRC and Malaysian banks to finance the initial construction costs for our property developments. External financing therefore is an important source of funding for our property development projects. As of 30 June 2021, our outstanding borrowings (including bank and other borrowings, the January

2023 Notes, the 2026 Notes, the 2022 Notes, the January 2025 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2024 Notes, the April 2026 Notes, the September 2025 Notes, the January 2027 Notes, the January 2030 Notes, the May 2025 Notes, the January 2026 Notes, the January 2031 Notes and other permitted *pari passu* secured indebtedness and corporate bonds) amounted to RMB324,235 million (US$50,218 million). Our operations generate cash through pre-sales after the properties meet the requirements of pre-sale under PRC, Malaysian, Indonesia and Australian regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funding for the construction of our property developments.

On 5 June 2003, PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land premiums. As a result, property developers may not use PRC bank loans to pay for land premiums. Following the publication of this notice, we have paid land premiums from the proceeds from the sale of properties and not from any of our outstanding bank borrowings. We plan to continue to use the proceeds from the sale of our properties, our other internal funds and proceeds from capital market financing to finance our future land premium payments. In addition, pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on 2 September 2004, any property developer applying for property development loans must have, as its own working capital, at least 35% of the project capital required for the development. In May 2009, to combat the impact of the global economic slowdown and to encourage domestic consumption, the State Council issued the ''Notice for Adjusting the Capital Ratio for Fixed Assets Investment Projects'' (國務院關於調整固定資產投資項目資本金比例的通知). Under this notice, the internal capital ratio for protected housing projects and ordinary commodity housing projects was lowered from 35% to 20%, and the internal capital ratio for other property projects was lowered from 35% to 30%, which was further decreased to 25% in September 2015. However, in an attempt to control the growth of the PRC property market, the PRC government in November 2009 raised the minimum down payment to 50% of the total land premium and on 8 March 2010, the Ministry of Land and Resources issued the circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知) under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction in the PRC.

We obtain project loans from a number of commercial banks in the PRC and in Malaysia, including major PRC banks such as Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Guangdong Development Bank, as well as major Malaysian banks such as Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad and Malayan Banking Berhad.

We cannot assure you that we will be able to continue to obtain sufficient bank loans or facilities in the future. See ''Risk factors—Risks relating to our business—We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.''

Project design work

Our general design work is mainly undertaken by Guangdong Elite Architectural Co., Ltd., which is an affiliate of our controlling shareholder and provides services to us on a priority basis. Our landscaping and greenery design is mainly undertaken by Foshan Shunde Oasis Greenery Design Co., Ltd., an independent third party. In Malaysia, both Guangdong Elite Architectural Co. and Foshan Shunde Oasis Greenery Design Co., Ltd. also work with local consultants to ensure their designs meet the standards set by relevant Malaysian government agencies. In Australia, we generally outsource our general design work to local independent third parties, and for landscaping and greenery design work, we plan to outsource them to independent third parties.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

Construction work and procurement

Construction work

The construction phase of a development project in the PRC begins once we obtain the Construction Permit for the project. The general project management department is responsible for the overall coordination and allocation of responsibilities in respect of the construction of each project area at different stages and supervises the progress of construction work. Prior to that, our project cost management department prepares the overall budget for a development at different stages. We set up a project company for each project to manage the whole property development project. The project company has a project manager, a project management department, a finance department and a sales department, all of which report to their corresponding functional departments at our headquarters.

Giant Leap Construction Co., our wholly owned subsidiary, currently undertakes most of the construction work for our development projects in Guangdong Province. Apart from a few related parties and other third parties, we are the principal customer of Giant Leap Construction Co.

For property projects outside Guangdong Province and overseas such as in Malaysia, Australia, India, Indonesia, New York and Thailand, we generally outsource the construction work to third party contractors to leverage on their local expertise. In addition, when Giant Leap Construction Co. does not have adequate resources to deal with a particular development or when the projected profits from a project are not economically attractive, we outsource project construction work in whole or in part to independent third parties. In such outsourcing cases, we select construction contractors through a tender process organized by our project cost management department. On a selective basis, we may also consider acquiring or setting up local construction companies in our major markets outside Guangdong Province. We have so far established local construction companies for our projects in areas including Anhui Province and Liaoning Province, etc. In Malaysia, we have also set up regional offices of Giant Leap Construction Co. to support the work of our third party contractors there. For property projects in Indonesia, we have outsourced the construction work to local independent third party construction contractors and plan to do the same for the projects we intend on developing in other locations outside the PRC.

Under PRC national laws and regulations, a tender process is usually required to select the contractors for public construction projects. When a tender process is required for one of our projects, the Tender Law of the PRC (中華人民共和國招標投標法) will apply. Certain local governments in the PRC may require that all construction projects go through a tender process.

Because of the growth in the number of our projects and their geographical coverage, we expect that we will continue to engage the services of independent construction contractors, particularly for projects outside Guangdong Province and overseas such as in Malaysia, Australia, India, Indonesia, New York and Thailand. See ''Risk factors—Risks relating to our business—We rely on independent contractors.'' Without any long—term construction outsourcing contracts in place, we intend to work with a number of qualified contractor candidates in order to create a competitive environment among them.

Procurement

Currently, some of the construction work for our projects in the PRC is undertaken by Giant Leap Construction Co., our wholly owned subsidiary. Some of the supplies, including equipment and material, for our construction work undertaken by Giant Leap Construction Co. are centrally procured through our procurement department. Our procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalizes the purchase arrangements with the winning supplier by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our procurement department, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies or to our central warehouse, which has a computerized record-keeping system for inventory. Our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

When we outsource the construction work for a project to a third party contractor, the contractor generally undertakes the procurement of key construction materials such as steel, cement, sand and stone according to the specifications provided in the construction contract. The total contractor fee takes into account the costs of these materials and the construction contract typically allows adjustment to the total contractor fees if at the time of purchases, the prices of such construction materials have fluctuated beyond the range stipulated in the construction contract.

Fitting and decoration work

The finishing of most of our projects includes fitting and decoration in accordance with the standards set out in our design specifications for the project. Our wholly owned subsidiary, Finest Decoration Co., provides most of the fitting and decoration services for our projects in the PRC and Malaysia. Finest Decoration Co. is expected to continue to provide fitting and decoration services exclusively for our projects in the future. We also outsource some components of the fitting and decoration work to independent third parties through a tender process.

Quality control

We have established procedures to ensure that the quality of our properties and services comply with relevant regulations and meets market standards. Quality control procedures are implemented by the relevant functional departments as well as by each project company. For each property development project in the PRC, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and our project management department.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase. We select construction supervisory companies through a tender process.

In Malaysia, Indonesia, Australia and the other markets in which we have operations, to ensure construction quality, the relevant departments of our project companies work closely with local government agencies and consultants to perform site checks and supervise the construction process.

Pre-sales

Pre-sale of our property units commences before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property in the PRC can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;

- the construction works planning permit and construction project building permit must have been obtained;

- the funds contributed to the development of the property developments where property units are to be pre-sold must reach 25% or above of the total amount to be invested in the project, the project must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and

- pre-sale permits must have been obtained from the county-level construction bureau or property administration authority.

According to the Notice on Further Enhancing the Supervision of the Real Estate Market and Improving the Pre-sale System of Commodity Housing (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) issued by the MOHURD on 13 April 2010, the property developers are not allowed to charge the property purchasers any deposit, pre-payment or payment of the similar nature prior to obtaining the pre-sale permit.

Local governments have also implemented regulations relating to pre-sales of properties. Some of these regulations contain stricter requirements than the central government regulations. We are subject to these local regulations in areas where we have property developments.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. See the section headed ''Regulation'' to this Offering Circular for further information on PRC regulations that relate to pre-sales. See also ''Risk factors—Risks relating to our business—We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect our business, cash flow, financial condition and results of operation.''

Under the laws in Malaysia, we must receive the following approvals before launching the pre-sales of a particular property:

- planning approval, development order, approved building plan; and

- developer license and advertisement permit (APDL)

Under relevant property laws in New South Wales, there is no pre-sale requirement for off-plan apartment sales. However, deposits are typically held in trust accounts to protect interests of the buyers and the developers.

Marketing and sales

Our marketing and sales center is responsible for formulating and implementing our marketing and sales strategies. We support our marketing and sales activities through cooperation with external professional marketing and sales service providers. As of 30 June 2021, our marketing and sales team comprised approximately 25,090 employees.

Our marketing and sales center is involved in our property development starting from the early stages and provides its input at key steps. When a potential project is identified by our investment department, our marketing and sales center conducts local property market research and studies the government's land policies. Before we decide to acquire land, our marketing and sales center provides the results of the research and analysis of the relevant parcels of land. During the land acquisition process, our marketing and sales center provides suggestions on the site plan and design. During the project design and construction processes, our marketing and sales center also works closely with our project design companies to formulate, modify and execute a design plan according to consumer preferences and market feedback. Our sales team regularly provides customer feedback to Guangdong Elite Architectural Co., Ltd. and other departments for future improvements.

Customers

Local residents in Guangdong Province have historically been our core customer base. We expect to gradually broaden our customer base geographically as our projects outside Guangdong Province commence pre-sale and sale. A substantial portion of the purchasers of our overseas projects are, and are expected to continue to be, PRC persons. See ''Risk factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business. We also sell our properties to residents in Hong Kong, Macau, neighboring provinces and to residents in Malaysia, Australia and Indonesia, as well as the other markets in which we have operations. We target a broad base of customers with varied income levels and backgrounds, with middle-class customers as our primary targets.

Payment arrangements

Our customers in the PRC, including those making pre-sales purchases, can pay with mortgage facilities arranged with banks. The mortgage payment terms for sales and pre-sales of properties are substantially the same. All purchasers are required to make a down payment of at least 20% of the purchase price when executing a purchase contract. A maximum 30-year mortgage loan for up to 80% of the purchase price may be available from the mortgage banks to the purchasers who are required to settle such amount within one or three months following the execution of the sales and purchase contract.

Mortgage financing is subject to extensive regulation in the PRC, including requirements with respect to minimum down payments and mortgage lending interest rates. See ''Regulation—Legal supervision relating to property sector in the PRC—E. Property transactions—(c) Mortgages of property'' and ''Risk factors—Risks relating to our business—Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable.''

If purchasers choose not to finance their purchase with mortgage loan facilities, they are typically required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract. In the case of a pre-sale, the remaining balance is payable within one or three months following the time of the execution of the sale and purchase contract. In the case of properties sold after completion, the remaining balance generally is payable within one month following the execution of the sale and purchase contract. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 40% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six months to five years. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to.

In accordance with market practice, we provide guarantees to banks for mortgage loans offered to our customers. Generally, our guarantees are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which are generally available within three months after we deliver the relevant property to our customers, or the full settlement of the mortgaged loan by our customers. Prior to 2003, we also provided long-term guarantees for the mortgage loan of some of our customers. These long-term guarantees were provided to increase confidence of the mortgage banks in providing mortgages to our customers in the then less sophisticated PRC property market. These guarantees are discharged two years from the day the mortgaged loans become due.

In line with customary practice in the industry, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgage banks. As of 31 December 2018, 2019 and 2020 and 30 June 2021, our outstanding guarantees of the mortgage loans of our customers amounted to RMB319,239 million, RMB348,154 million, RMB381,302 million and RMB393,847 million (US$60,999 million), respectively. Historically, we have not experienced material losses due to default of purchases on the mortgages loans. See ''Risk factors—Risks relating to our business—We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments.''

In Malaysia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Malaysia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

In Australia, customers are required to pay 10% of the purchase price when executing a purchase contract, which can be made by cash, check or bank guarantee, and the remainder upon completion of the construction and delivery of the completed property. If the 10% of the purchase price is made by cash or check, the amount will be deposited into a trust account managed by our lawyers and will only be made available to us upon delivery of the completed property.

In Indonesia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Indonesia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

Hotel development and operation

We develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to our residential projects and enhanced our brand recognition.

While we believe that the demand for luxury hotels in China will increase as the economy of the region continues to grow and that our hotels and resorts will generate recurring income for us in the long run, we do not focus on the revenue or profit contributions from our hotel business on a stand-alone basis. Rather, we believe that our hotel business assists in enhancing our brand name recognition in the property market and contributes to our overall marketing and sales strategies for, and the overall value of, our residential projects. Most of our hotels are currently owned and operated by our own hotel companies. We have engaged several international management firms with respect to our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. Our Maritim Hotel, Wuhu and Maritim Hotel, Shenyang commenced full operations in December 2010 and July 2011, respectively, and our Hilton Wuhan Optics Valley and Hilton Foshan commenced full operations in January and March 2014, respectively. In return for managing and operating these hotels, we agree to pay our hotel operating management partners a basic management fee based on a percentage of the respective hotel's net income, and an incentive fee with reference to the respective hotel's gross operating profit. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. We may also consider engaging other international management companies to manage our hotels.

The availability of our hotel facilities to the residents of our property projects is usually seen as an attractive feature by potential purchasers of our properties.

Our commitment to building and running hotels in certain localities has received support from local governments, which seek to improve the local investment environment and attract more tourist traffic and business establishments to their jurisdictions.

Competition

The property industry in the PRC is highly competitive. Competitive factors include the size of land reserves and the geographical location, the types of properties offered, brand recognition, price, and design product qualities. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. An example of our principal competitors include

China Vanke Co., Ltd. (萬科企業股份有限公司), because they have a presence in the regions in which we operate. For more information on competition, please refer to the section headed ''Risk factors—Risks relating to our business—Increasing competition in the PRC may adversely affect our business, financial condition and results of operation.''

In some of the other markets in which we operate outside of Guangdong Province we face competition from property developers which are more established, have a better understanding of local rules and regulations as well as a longer track record of success. Additionally, in some of these other markets our scale may be smaller than the scale we enjoy in markets within the PRC in which we are more established or have traditionally conducted our business operations, increasing the cost of doing business in such markets.

Intellectual property rights

Foshan Shunde Country Garden Property Development Co., Ltd. has registered the trademarks and service marks of ''碧桂園'' in the form of Chinese characters, as well as in the form of logos, with the PRC Trademark Office (中華人民共和國商標局) under various categories including construction, realty leasing, realty management and realty agency. Foshan Shunde Country Garden Property Development Co., Ltd has also registered the trademarks and service marks of ''COUNTRY GARDEN'' in the form of English characters with the PRC Trademark Office under various categories including advertisement, business management and human resource management.

Zhongshan Country Garden Real Estate Development Co., Ltd. has registered the trademarks and service marks of ''秀麗湖'' in the form of Chinese characters with the PRC Trademark Office under various categories including realty leasing, realty agency and advertisement.

On 27 March 2007, Foshan Shunde Country Garden Property Development Co., Ltd entered into a trademark license agreement with each of Qingyuan Country Garden Property Development Co., Ltd. (''Qingyuan Country Garden Co.'') Jun'an Golf Club Co. and our original shareholders to grant them a non-exclusive right to use the ''碧桂園'' and certain other trademarks and service marks in respect of their businesses which, apart from Qingyuan Country Garden Co.'s business, are services ancillary to the housing properties constructed by us. Qingyuan Country Garden Co. has also granted Holiday Islands Hotel Co., our wholly owned subsidiary, a non-exclusive right to use the trademarks and service marks of ''假日半島 Holiday Islands'' (with respect to which Qingyuan Country Garden Co. has applied to register as a trademark in the PRC) in its business operation pursuant to a trademark license agreement entered into between Qingyuan Country Garden and Holiday Islands Hotel Co. on 27 March 2007.

We also own the domain names ''bgy.cn,'' ''bgy.com.cn,'' ''countrygarden.cn'' and ''countrygarden.com.cn.'' The information contained on our websites is not part of this Offering Circular.

Insurance

We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, we carry social insurance for our employees, and our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We do not, however, maintain insurance coverage for non-performance of contract during construction and other risks associated with construction and installation works during the construction period. Consistent with what we believe to be customary practice in the property development industry in China, we also do not maintain insurance against personal injuries or property damage that may occur during the construction of our properties, except that we carry accidental insurance (i.e., employer's liability insurance) against personal injuries that may occur to construction workers.

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 law, 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. Since we have taken the above 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 the terms of our insurance policies are in line with industry practice in the PRC. However, our insurance coverage may not be sufficient for losses and damages that may arise in our business operations. See ''Risk factors—Risks relating to our business—We do not have insurance to cover potential losses and claims in our operations'' and ''Regulation.''

Employees

As of 30 June 2021, we had approximately 93,472 full-time employees, of which 679 hold a doctorate degree. The following table provides a breakdown of our total employees by responsibilities as of 30 June 2021:

Property development (headquarters)[1]	1,478
Property development (regional)[2]	22,976
Marketing and sales	25,090
Hotel	5,905
Construction and fitting management	15,133
Others	22,890
	93,472

Notes:

(1) Includes employees from cost management, procurement, strategy management, legal and compliance, finance management, engineering management, investment management, human resources management, operations, customer services, inspection and logistic personnel departments.

(2) Includes employees from our property development subsidiaries in different regions in China, in Malaysia, in Indonesia and in Australia where our operations are located.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments.

In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, maternity insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

Environmental matters

We are subject to a variety of laws and regulations concerning environmental protection. See ''Risk factors—Risks relating to our business—Potential liability for environmental problems could result in substantial costs.'' As of the date of this Offering Circular, except as otherwise disclosed, we are not in material breach of any applicable environmental laws and regulations which has led to material penalties imposed by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against us.

Legal proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors, employees and joint venture partners, and we have not incurred significant legal costs and expenses in connection with these legal proceedings. We are not aware of any material legal proceedings, arbitrations, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operation. See ''Risk factors—Risks relating to our business—We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation as a result.''

Regulation

Legal supervision relating to property sector in the PRC

A. Establishment of a property development enterprise

Pursuant to the ''Law of the People's Republic of China on Administration of Urban Real Estate'' (the ''Urban Real Estate Law'') (中華人民共和國城市房地產管理法) enacted by the Standing Committee of the National People's Congress on 5 July 1994, effective in January 1995 and as amended in August 2007, August 2009 and August 2019, a property developer is defined as ''an enterprise which engages in the development and sale of property for the purposes of making profits.'' Under the ''Regulations on Administration of Development of Urban Real Estate'' (the ''Development Regulations'') (城市房地產開發經營管理條例) which was promulgated by the State Council and became effective on 20 July 1998 and as amended on 8 January 2011, 24 March 2019 and 29 November 2020, a property development enterprise must satisfy the following requirements: (1) having a registered capital of not less than RMB1 million and (2) having four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulate that people's governments of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

In May 2009, the State Council issued a ''Notice on Adjusting the Percentage 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). The minimum internal capital ratio is 20% for ordinary commodity housing projects and affordable housing projects and 30% for other property projects.

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

B. Foreign-invested real estate enterprises

Foreign-invested real estate 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.

Under the Catalog of Guidance on Industries for Foreign Investment (2015 version) (the ''Guidance Catalog'') (外商投資產業指導目錄) (2015年修訂) which was jointly promulgated by MOFCOM and NDRC on 10 March 2015 and became effective on 10 April 2015, the construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, construction and operation of large theme parks falls within the restricted category, and other real estate development falls within the category of industries in which foreign investment is permitted. On 28 June 2017, MOFCOM and NDRC jointly issued the revised Guidance Catalog effective from 28 July 2017, according to which, foreign investment is permitted in the real estate development industry. On 26 June 2018, MOFCOM and NDRC jointly issued the ''Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version)'' (外商投資准入特別管理措施(負面清單)(2018年版)) effective from 28 July 2018. On 30 June 2019, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) (外商投資准入特別管理措施(負面清單)(2019年版)) to replace the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version), effective from 30 July 2019. On 23 June 2020, MOFCOM and the NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) to replace the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) since 23 July 2020. On 27 December 2021, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)), which replaced the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) and became effective from 1 January 2022.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted the ''Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market'', or ''Circular No. 171'' (關於規範房地產市場外資准入和管理的意見). According to this circular, foreign investment in property markets must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China not for their own residential use shall follow the principle of commercial existence and apply for establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business, pursuant to the approved business scope, after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals US$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying for the land use rights, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive an official approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprise in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign investors should submit: (i) the guarantee letters for the performance of the State-Owned Land Use Rights Grant Contracts, Construction Land Planning Permit and Construction Work Planning Permit; (ii) Certificate of Land Use Rights; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with unsound financial track records shall not be allowed to conduct any of the aforementioned activities.

On 23 May 2007, MOFCOM and SAFE jointly issued the ''Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC,'' (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which stipulates the following requirements for the approval and supervision of foreign investment in the property sector:

- foreign investment in the PRC property sector relating to luxury properties should be strictly controlled;

- before obtaining approval for the establishment of property entities with foreign investment, (i) both the land use rights certificates and housing ownership rights certificates should have been 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 property development, and entities which have been set up for property development operations need to obtain new approval in order to expand their property business operations;

- acquisitions of property entities and foreign investment in the property sector by way of ''round-trip'' investment (返程投資) should be strictly regulated. Foreign-investors should not avoid approval procedures by changing actual controlling persons;

- parties to property entities with foreign investment, should not in any way guarantee a fixed investment return;

- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of property 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 MOFCOM or fail to pass the annual reviews; and

- for those property entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigations and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On 10 July 2007, the General Affairs Department of SAFE issued the ''Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with MOFCOM'' (關於下發第一批通過商務部備案的外商投資房地產專案名單的通知) (''Notice No. 130''). This regulation restricts the ability of foreign-invested property companies to raise funds offshore for the purposes of injecting such funds into the companies either through a capital increase or by way of shareholder loans. Notice No. 130 was repealed in May 2013, but its restrictions have been stipulated by several other regulations as follows:

- SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange, submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after 1 June 2007; and

- SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after 1 June 2007 but that have not registered with MOFCOM.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the ''Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector'' (關於做好外商投資房地產業備案工作的通知) (''Notice No. 23''). According to Notice No. 23, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

Under the ''Measures for the Administration of the Approval and Record Filing of Foreign Investment Projects'' (外商投資項目核准和備案管理辦法) promulgated by NDRC on 17 May 2014 and enforced on 17 June 2014, and revised and enforced on 27 December 2014, NDRC is responsible for the approval of encouraged projects with a total investment (including capital increase) of US$1,000 million and above, which are projects required to be controlled by a Chinese shareholder under the Guidance Catalog, and restricted projects (excluding real estate projects) with a total investment (including capital increase) of US$100 million and above. Projects with a total investment (including capital increase) of US$2,000 million and above shall be filed with the State Council. Provincial governments are responsible for the approval of real estate projects within the restricted category under the Guidance Catalog and other restricted projects with a total investment (including capital increase) of not more than US$100 million. Local government is responsible for the approval of encouraged projects with a total investment (including capital increase) of not more than US$1,000 million, which is required to be controlled (including relatively controlled) by a Chinese shareholder under the Guidance Catalog. On 14 January 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 US$300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for US$2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than US$300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing.

On 30 March 2015, SAFE issued the ''Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises'' (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) effective from 1 June 2015, under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment activities (including foreign investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China remitted through equity transfer payments in the original foreign currency by general foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of the foreign exchange (bank) of its place of incorporation and open a corresponding RMB account for depositing the converted RMB funds. The foreign-invested enterprises shall then transfer the converted RMB funds into the RMB account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On 9 June 2016, SAFE issued the ''Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement'' (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On 6 April 2010, the State Council issued the ''Opinions on Further Enhancing the Utilization of Foreign Investment'' (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the ''Catalog of Investment Projects Subject to Government Approvals'' (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Guidance Catalog may be approved by local government authorities, provided that the total investment (including additional invested capital) for such project is no more than US$300 million.

On 4 May 2010, NDRC issued the ''Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects'' (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

On 10 June 2010, MOFCOM released the ''Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment'' (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, local authorities are granted the power to examine, approve and administrate the establishment and replacement of (i) foreign-invested enterprises which are within the encouraged and permitted categories under the Guidance Catalog and have a total investment of no more than US$300 million, and (ii) foreign-invested enterprises which are within the restricted category under the Guidance Catalog and have a total investment of no more than US$50 million.

On 3 September 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from got 1 October 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On 30 September 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On 8 October 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the ''Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises'' (外商投資企業設立及變更備案管理暫行辦法). On 30 July 2017 MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises. On 28 February 2018, MOFCOM and SAIC jointly issued the ''Notice on Relevant Matters Concerning the Acceptance of Applications for MOFCOM Filing and AIC Registration of Foreign Investment Enterprises at a Single Window with a Single Form'' (關於實行外商投資企業商務備案與工商登記「單一窗口、單一表格」受理有關工作的通知). Under such notice, since 30 June 2018, applications for MOFCOM filing and registration with administration for market regulation of foreign investment enterprises which are not subject to special administrative measures of foreign investment entry, should be accepted at a single window with a single form nationwide. On 29 June 2018, MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises which came into effect from 30 June 2018.

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 reiterated a number of these limitations on foreign-invested real estate enterprises. On 24 June 2014, the MOFCOM and the SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective from 1 August 2014, to simplify the procedures of registration of foreign investment in real estate. On 11 November 2015, MOFCOM and SAFE jointly issued the ''Circular on Further Improving the Record-filing for Foreign Investment in Real Estate'' (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

On 15 March 2019, the National People's Congress of the PRC adopted the ''Foreign Investment Law of the PRC'' or the Foreign Investment Law (中華人民共和國外商投資法) with a view toward unifying and streamlining the foreign investment framework into China which came into effect on 1 January 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; and

- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law establishes a nationwide ''pre-establishment national treatment and negative list'' management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the ''Special Administrative Measures (Negative List) for Foreign Investment Access.'' According to the Foreign Investment Law, all foreign invested enterprises 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.

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 23 October 2019 to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

On 26 December 2019, the State Council issued the ''Regulation on Implementing the Foreign Investment Law of the People's Republic of China'' effective from 1 January 2020. On 30 December 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 1 January 2020, the relevant reports to the commerce authorities through the enterprise registration system will be required for the establishment of foreign-invested enterprises and the subsequent changes, instead of filing with or obtaining approvals from the commerce authorities. The Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises has been abolished since 1 January 2020.

C. Qualifications of a property developer

(a) Classifications and assessment of a real estate development enterprise's qualification

Under the ''Provisions on Administration of Qualifications of Real Estate Developers'' (the ''Provisions on Administration of Qualifications'') (房地產開發企業資質管理規定) promulgated by the Ministry of Construction in March 2000 and amended in May 2015 and December 2018, a property developer is required to apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise cannot engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualification are subject to preliminary examination and approval by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualification shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. Property developers are required to apply for a qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

(b) The business scope of a property developer

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of a property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and its specific scope of business shall be as approved by the construction authority under the government of the relevant province, autonomous region or municipality.

(c) The annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer is required to inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

On 30 June 2021, MOHURD issued the Letter from the Real Estate Market Supervision Department of the Ministry of Housing and Urban-Rural Development on Relevant Reform of the Qualification Examination and Approval System for Real Estate Development Enterprises (住房和城鄉建設部房地產市場監管司關於做好房地產開發企業資質審批制度改革有關工作的函) under which, MOHURD is revising the Provisions on Administration of Qualifications and from 1 July 2021 to the date on which the new administration regulations come into force, if the validity period of a Class 3 or Class 4 qualification certificate or the provisional qualification certificate of a real estate development enterprise expires, the validity period shall be uniformly extended to the date on which the new administration regulations come into force.

D. Development of a property project

(a) Land for property development

Under the ''Interim Regulations of the People's Republic of China on Assignment and Transfer of the Right to Use State-Owned Land in Urban Areas'' (the ''Interim Regulations on Assignment and Transfer'') (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and enforced by the State Council on 19 May 1990 and as amended on 29 November 2020, a system of grant and transfer of the right to use state-owned land is adopted. A land user is required to pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user can transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate law, the land administration authority under the local government of the relevant city or county is required to enter into a land grant contract with the land user for the grant of the land use rights. The land user is required to pay the land premium as provided for by the land grant contract. After payment in full of the land premium, the land user is required to register with the land administration authority and obtain a land use rights certificate evidencing the acquisition of land use rights. 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 the PRC laws or the stipulations of the State Council.

Under the ''Regulations on the Assignment of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale'' (Regulation No. 11) (招標拍賣掛牌出讓國有土地使用權規定, 11號令) which were promulgated by the Ministry of Land and Resources on 9 May 2002 and became effective on 1 July 2002, land for commercial use, tourism, entertainment and commodity housing development is assigned by way of competitive bidding, public auction or listing-for-sale. The regulations were amended on 28 September 2007, and were renamed ''Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale'' (Regulation No. 39) (招標拍賣掛牌出讓國有建設用地使用權規定, 39號令). The general procedures for assignment of state-owned land use rights are as follows:

(a) The land authority under the people's government of the city and county (the ''assignor'') shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirements of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(b) The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

(c) After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder are then required to enter into a confirmation. The assignor should return the bidding or tender deposits to other bidding or auction applicants.

(d) The assignor and the winning tender or winning bidder are required to enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use rights.

(e) The winning tender or winning bidder is required to apply for the land registration after paying off the land grant premium in accordance with the state-owned land use rights grant contract. The people's government above the city and county level should issue the ''Land Use Permit for State-Owned Land.''

According to the ''Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market'' (關於加強土地供應管理促進房地產市場持續健康發展的通知) enacted by the Ministry of Land and Resources on 4 September 2003, land use for luxurious commodity houses shall be stringently controlled and applications for land use for building villas will not be accepted. On 30 May 2006, the Ministry of Land and Resources issued the ''Urgent Notice of Further Strengthening the Administration of the Land'' (the ''Urgent Notice'') (關於當前進一步從嚴土地管理的緊急通知) stipulating that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale, development projects for villas are not be permitted, and all supply of land for such purposes and the handling of related land use procedure will be ceased from issuance date of the notice.

Under the Urgent Notice, the land authority should rigidly execute the ''Model Text of the State-owned Land Use Rights Assignment Contract'' (國有土地使用權出讓合同示範文本) and ''Model Text of the State-Owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)'' (國有土地使用權出讓合同補充協議示範文本(試行)) jointly promulgated by the Ministry of Land and Resources and SAIC. The document of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land use rights grant contract. On 29 April 2008, the Ministry of Land and Resources and SAIC promulgated the revised ''Model Text of the Rights to Use State-Owned Land for Construction Assignment Contract'' (國有建設用地使用權出讓合同示範文本).

Under the ''Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale'' (招標拍賣掛牌出讓國有建設用地使用權規定) which were promulgated by the Ministry of Land and Resource on 28 September 2007, and became effective on 1 November 2007, land for industrial use (including land for warehouses but not land for mining), commercial use, tourism, entertainment and commodity housing development or more than two competing users on one piece of land is required to be assigned by way of competitive bidding, public auction or listing-for-sale. The assignee should obtain the land use rights certificate after paying off the total premium. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land premium, and no land use rights certificates will be issued pro rata based on partial payment received.

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

On 8 March 2010, the Ministry of Land and Resources promulgated the Circular on Strengthening Real Estate Land Supply and Supervision (the ''Circular'') (關於加強房地產用地供應和監管有關問題的通知). Under the Circular, price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum land premium. The Circular has made 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 (taking into account any deposits previously paid) 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 Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1: 1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

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

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

According to the ''Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011'' (關於切實做好2011年城市住房用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2011, construction for 10 million units of affordable housing units shall be implemented in 2011. It also requires that the target total supply of urban housing land shall not be lower than the annual average supply for the preceding two years.

According to the ''Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2012'' (關於做好2012年房地產用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2012, the target total supply of urban housing land shall not be lower than the annual average supply for the preceding five years.

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

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

The MOHURD and the Ministry of Land and Resources jointly issued the ''Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply'' (關於加強近期住房及用地供應管理和調控有關工作的通知) dated 1 April 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

On 21 May 2021, the MOF, the Ministry of Natural Resources, the STA and the PBOC jointly issued the ''Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums'' (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations, instead of natural resources authorities, will be responsible for the collection of state-owned land use rights grant premiums, mineral resources special revenues, sea area use premiums and uninhabited islands use premiums and the pilot scheme has started from 1 July 2021 in certain selected provinces and will be carried out nationwide from 1 January 2022.

(b) Property project development

i. Commencement of a property project and the idle land

Under the Urban Real Estate Law, those which have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights assignment contract. On 1 June 2012, the Ministry of Land and Resources revised and promulgated the ''Measure for the Disposal of Idle Land'' (閒置土地處置辦法), which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. Pursuant to the new Measure for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as ''idle land'':

- any state-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of state-owned land for construction use, or the decision on allocation of state-owned land for construction use; and

- any state-owned land for construction use, of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

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

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and

- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Taking Back the Right to Use the state-owned Land for Construction Use to the holder of the land use right.

On 3 January 2008, the State Council reiterated the abovementioned policies in the ''Notice on Enhancing the Economical and Intensive Use of Land.'' (關於促進節約集約用地的通知) This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of LAT on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project. On 12 September 2014, the Ministry of Land and Resources issued the Guidelines on Improving Economical and Intensive Use of Land (關於推進土地節約集約利用的指導意見), which requires relevant governmental authorities to reinforce the implementation of the rules regarding idle land and to specify the control requirements of land use standards in relevant legal documents, including land use approvals and land grant contracts.

ii. Planning of a property project

According to the ''Urban and Rural Planning Law of the People's Republic of China'' (replacing the previous ''City Planning Law of the People's Republic of China'' (中華人民共和國城市規劃法) since January 2008) (中華人民共和國城鄉規劃法), the ''Administrative Measures on Planning of Grant and Transfer of Urban State-Owned Land Use Rights'' (城市國有土地使用權出讓轉讓規劃管理辦法) which were promulgated by the Ministry of Construction on 4 December 1992 and became effective on 1 January 1993 and the ''Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-Owned Land Use Rights'' (關於加強國有土地使用權出讓規劃管理工作的通知) which was promulgated by the Ministry of Construction and became effective on 26 December 2002, after signing an assignment contract, a property developer shall apply for an Opinion on Construction Project's Site Selection and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements, and apply for a Permit for Construction Work Planning from city planning authority with the relevant approval documents.

On 21 January 2011, the ''Regulations on the Expropriation of Buildings on State-Owned Land and Compensation'' (國有土地上房屋徵收與補償條例) was promulgated by the State Council, a summary of the important provisions is set forth below:

- Where a building of any entity or individual on state-owned land is expropriated for public interest, the owner of the expropriated building shall be fairly compensated;

- The people's government at the city or county level shall publish in a timely manner the public opinions solicited and the amendments made according to the public opinions;

• Before making a decision on building expropriation, the people's government at the city or county level shall make a social stability risk assessment according to the relevant provisions;

• The compensation granted to an owner by the people's government at the city or county level which makes the building expropriation decision shall include:

(1) compensation for the value of the building expropriated;

(2) compensation for the relocation or temporary settlement resulting from the building expropriation; and

(3) compensation for the production or business interruption losses resulting from the building expropriation;

• The compensation for the value of the building expropriated shall not be less than the market price of real estate similar to the building expropriated on the date of announcement of the building expropriation decision;

• An owner may choose either monetary compensation or exchange of titles; and

• Compensation shall be made before relocation, and demolition and relocation with violence is prohibited.

iii. Construction of a property project

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the ''Measure for the Administration of Construction Permits for Construction Projects'' (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban-Rural Development on 25 June 2014 and effective from 25 October 2014 and as amended on 19 September 2018.

iv. Completion of a property project

According to the Development Regulation, the ''Regulation on the Quality Management of Construction Projects'' (建設工程質量管理條例) enacted and enforced by the State Council on 30 January 2000 and as amended on 7 October 2017, the ''Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure'' (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) enacted by the Ministry of Construction in April 2000 and amended on 19 October 2009 and the ''Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure'' (房屋建築和市政基礎設施工程竣工驗收規定) which were promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, after completion of work for a project, a property developer is required to apply for the acceptance examination to the property development authority under the people's government on or above the county level and report details of the acceptance examination, upon which the ''Record of acceptance examination upon project completion'' is issued. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination is required to be carried out for each completed phase.

E. Property transactions

(a) Transfer of property

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) enacted by the Ministry of Construction on 7 August 1995 and revised on 15 August 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer are required to enter into a property transfer contract in writing and register the transfer with the property 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 assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; and (b) if development is to be carried out according to the assignment contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, 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 use rights assignment 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 assignment 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 use rights assignment contract or a new land use rights assignment contract shall be signed in order to, *inter alia*, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people's government vested with the necessary approval power 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.

(b) Sale of commodity properties

Under the ''Regulatory Measures on the Sale of Commodity Properties'' (商品房銷售管理辦法) which were promulgated by the Ministry of Construction on 4 April 2001 and became effective on 1 June 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. Permit of Pre-Completion Sale of Commodity Properties

According to the Development Regulations and the ''Measures for Administration of Pre-completion Sale of Commodity Properties'' (the ''Pre-completion Sale Measures'') (城市商品房預售管理辦法) enacted by the Ministry of Construction on 15 November 1994 and revised on 15 August 2001 and 20 July 2004, the pre-completion sale of commodity properties is subject to a permit system, under which a property developer intending to sell a commodity building before its completion is required to make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building can only be sold before completion provided that: (a) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (b) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained.

In addition, according to the ''Regulations on Administration of Pre-completion Sale of Commodity Properties of Guangdong Province'' (廣東省商品房預售管理條例) enacted by the Standing Committee of Guangdong Provincial People's Congress on 22 August 1998 and revised on 14 October 2000, 23 July 2010 and 25 September 2014, and the ''Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province'' (關於調整商品房預售項目工程形像進度條件的通知) issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions are required to be fulfilled for the pre-completion sale of commodity properties in Guangdong: (a) the property developer has obtained a real property development qualification certificate and a business license; (b) the construction quality and safety monitoring procedures have been performed; (c) the structural construction and the toping-out must have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (d) a special property pre-completion sale account with a commercial bank in the place where the project is located has been opened; and (e) the properties, pre-completion sale project and its land use rights are free from any third party rights.

ii. Management of pre-completion sale proceeds of commodity properties

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

iii. Conditions of the sale of post-completion commodity properties

Under the ''Regulatory Measures on the Sale of Commodity Properties,'' commodity properties can may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion properties has an enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained a land use rights certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity properties have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (g) the property management plan has been completed.

Before the post-completion sale of a commodity building, a property developer is required to submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

iv. Regulations on sale of commodity properties

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity property, the developer is required to sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record the contract for pre-completion sale commodity property to the relevant administrative departments governing the property and land administration department of the city or county governments. The property administrative department is required to take the initiative to apply network information technology to gradually implement the web-based registration of pre-sale contracts.

Pursuant to the ''Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of 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 9 May 2005, there are several regulations concerning commodity properties sales:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not record the application of real estate ownership.

- A real name system for house purchase should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts of commodity properties.

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

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 16 March 2011 and became effective on 1 May 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.

(c) Mortgages of property

Under the Urban Real Estate Law and the ''Civil Code of the PRC'' (中華人民共和國民法典) effective from 1 January 2021, and the ''Measures on the Administration of Mortgage of Buildings in Urban Areas'' (城市房地產抵押管理辦法) which was promulgated by the Ministry of Construction in May 1997 and revised on 15 August 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor's rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of the aforesaid law and regulation, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The obligation secured by a mortgagor shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned lands acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee are required to sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage are required to register the mortgage with the property administration authority at the location where the property is situated. A real estate mortgage shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the ''third party rights'' item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

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 (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot 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 land-use purpose or nature of use of land, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Changzhou, Shanghai, Beijing, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the MOF, CBRC and PBOC 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 provides that, among other things: (i) where a first-time house purchaser (including the borrower, his or her 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 using housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capital 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 and further residential property will be suspended.

On 26 January 2011, the State Council issued the ''Notice on Further Strengthening Regulation and Control of Real Property Markets'' (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

The people's governments of certain cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shenyang and Dalian, had respectively promulgated local measures for restriction of housing purchases to implement the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知).

On 26 February 2013, the PRC government further adopted more strict policies to restrict properties purchase, including increasing down payment ratios and interest rates for loans to purchasers of second homes in cities where the housing price is growing excessively, and imposing individual income tax at a rate of 20% on the gains generated from the sale of a self-owned property.

(d) Lease of buildings

On 1 December 2010, the Ministry of Housing and Urban-Rural Development 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 go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant construction (real estate) departments are authorized to impose a fine below RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other violators who are not natural persons who fail to comply with the regulations within the specified time limit. The above measures came into effect on 1 February 2011. On 3 June 2016, the General Office of the State Council issued the ''Opinions on Accelerating the Cultivation and Development of Leasing Market'' (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties. On 18 July 2017, MOHURD, NDRC and other government departments jointly released the ''Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population'' (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental and increasing the proportion of rental housing to the commercial residential building projects.

On 14 September 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On 16 March 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 1 May 2016. On 20 September 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the ''Interim Measures for the Administration of Houses with Joint Property Rights'' (共有產權住房管理暫行辦法), which was implemented on 30 September 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 13 December 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).

F. Property financing

PBOC issued the ''Circular on Further Strengthening the Management of Loans for Property Business'' (關於進一步加強房地產信貸業務管理的通知) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

(a) The property loan by commercial banks to real estate enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extend such loans as a current capital loan for property development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the land use rights certificates, construction land permit, construction planning permit and construction work permit;

(b) Commercial banks shall not grant loans to property developers to pay off land premium; and

(c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains at 20%. In respect of his loan application for an additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the ''Guidance on Risk Management of Property Loans of Commercial Banks'' (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on 2 September 2004, any property developer applying for property development loans is required to have at least 35% of capital funds required for the development.

According to the ''Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit,'' (中國人民銀行關於調整商業銀行住房信貸政策和超額儲備金存款利率的通知) enacted by PBOC on 16 March 2005, starting from 17 March 2005, the down payment for individual homes increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On 24 May 2006, the State Council passed the ''Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices.'' (關於調整住房供應結構穩定住房價格的意見) The regulations provide the following:

(a) Tightening the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers which do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer;

(b) From 1 June 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in Real Estate Market, foreign-invested real estate enterprises which have not paid up their registered capital fully, or failed to obtain a land use rights certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.

On 23 May 2007, MOFCOM and SAFE jointly issued the ''Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC'' (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On 28 April 2013, SAFE issued the ''Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration'' (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on 13 May 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will not process any foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after 1 June 2007.

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

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property as for own residence;

- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to property developers which have been found by relevant government authorities to be holding excessive amounts of land and properties.

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

According to the notice on ''Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans,'' (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) issued by PBOC on 22 October 2008 and effective on 27 October 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

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

On 17 April 2010, the State Council Issued Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知) (the ''April 17 Notice''), which provides that where the first home purchaser (including a borrower, his or her spouse and children under 18) purchases a residence with a unit floor area of more than 90 sq.m. for self-use, the minimum down payment is required not to be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment is required to be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate published by PBOC; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof is required to be substantially further raised. The April 17 Notice, further requires that in cities where property prices are overly high with excessive price hike and strained housing supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one year.

On 26 May 2010, the MOHURD, PBOC and the CBRC jointly issued the ''Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans'' (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans is required to be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the ''Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies'' (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 increased to 30% for all first home purchases; (ii) commercial banks in China are required to suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation 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 land-use purpose, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD and SAFE jointly promulgated the ''Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals'' (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one house for self-use within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

On 26 January 2011, the State Council issued the ''Notice on Further Strengthening Regulation and Control of Real Property Markets'' (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation are not permitted to certifying payment of local tax or social security for longer than a specified time period, purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On 26 February 2013, the General Office of the State Council issued 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), pursuant to which, in cities where the housing price are increasing at an excessively high rate, 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. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price.

To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知) on 29 September 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On 1 February 2016, the PBOC and CBRC jointly issued the ''Notice on the Adjustment of Individual Housing Loans Policies'' (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On 25 August 2019, PBOC issued the People's Bank of China No.16 [2019] Announcement, under which, starting from 8 October 2019, new commercial individual housing loans should be determined by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflecting the loan risk profile, and remain fixed during the contract period. The interest rate of loans for first-time home purchasers should not be lower than the LPR of corresponding maturity, and the interest rate of loans for second-time home purchasers should not be lower than the LPR of corresponding maturity plus 60 basis points. On 26 March 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the ''Notice on Preventing Loans of Business Purposes from Flowing into the Real Estate Industry'' (關於防止經營用途貸款違規流入房地產領域的通知), which provided that, among others, the financial institutions should strengthen the examination on the qualification of the lenders and the demand of the loans, reinforce the management of the term of the loans and the collateral of the loans, improve the during-lending and after-lending management, and enhance the internal administration of banks and the management of intermediaries.

G. Insurance of a property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the ''Construction Law of the People's Republic of China'' (中華人民共和國建築法) which was promulgated by the Standing Committee of the National People's Congress on 1 November 1997, and became effective on 1 March 1998), and which was subsequently amended on 22 April 2011 (with the amendments became effective on 1 July 2011), and 23 April 2019 construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the ''Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work'' (關於加強建築意外傷害保險工作的指導意見) promulgated by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance. The ''Guidance on the Insurance of Accidental Injury in the Construction Work of Guangdong Province'' (廣東省建築意外傷害保險工作導則) enacted by the construction department of Guangdong Province on 8 September 2004 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. It further emphasizes that the persons who have already been insured for work-related injury insurances still need accidental injury insurance when he or she takes part in the on-site construction work. According to the common practice of the property industry in Guangdong, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects.

Construction companies are required to pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party's liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

H. Major taxes applicable to property developers

(a) Income tax

According to the ''PRC Enterprise Income Tax Law'' (中華人民共和國企業所得稅法) which was promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008 and as amended on 24 February 2017 and 29 December 2018 respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

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

(b) Business tax and value added tax

Pursuant to the ''Interim Regulations of the People's Republic of China on Business Tax'' which was promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994 as amended on 10 November 2008 and its ''Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax'' issued by the MOF on 25 December 1993, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

Pursuant to the ''Notice on Adjustment of Transforming Business Tax to Value Added Tax'' (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui[2016]No. 36) issued on 23 March 2016 and implemented on 1 May 2016 by the MOF and the STA, the sale of self-developed old real estate projects (refers to real estate projects launched time before 30 April 2016 stating on the construction works commencement permit) by a common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving advance payment.

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

VAT is payable by taxpayers in the calendar month immediately following receipt of presale proceeds of real estate self-development in accordance with a given formula. The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and who have chosen to apply 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 stated in the Construction Permits prior to 30 April 2016, and (2) construction projects with no commencement dates not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to 30 April 2016, but have not yet received Construction Permits.

On 19 November 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and STA in April 2018, starting from 1 May 2018, the value-added tax rate will be lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. According to a notice jointly issued by MOF, STA and the General Administration of Customs in March 2019, starting from 1 April 2019, the value-added tax rate of 16% will be lowered to 13% and the value-added tax rate of 10% will be lowered to 9%.

(c) Land appreciation tax

According to the requirements of the ''Provisional Regulations of The People's Republic of China on Land Appreciation Tax'' (the ''Land Appreciation Provisional Regulations'') (中華人民共和國土地增值税暫行條例) which was promulgated on 13 December 1993 and became effective on 1 January 1994, and the ''Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Land Appreciation Tax'' (the ''Land Appreciation Detailed Implementation Rules'') (中華人民共和國土地增值税暫行條例實施細則) which was promulgated and became effective on 27 January 1995, any appreciation gained from taxpayer's transfer of property is subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include the following:

- amount paid for obtaining the land use rights;

- costs and expenses for development of land;

- 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 MOF.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the Notice issued by the MOF in respect of the ''Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before 1 January 1994'' (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值税的通知) which was announced by the MOF and STA on 27 January 1995, LAT is exempted under any one of the following circumstances:

- For ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not deluxe apartments, villas, resorts etc.) where the appreciation amount does not exceed 20% of the sum of deductible items;

- Where property taken over and repossessed according to laws due to the construction requirements of the State;

- Individuals who relocate as a result of redeployment of work or improvement of living standards transfer their self-used residential property where they have been living for 5 years or more, and after obtaining tax authorities' approval;

- For property transfer contracts which were signed before 1 January 1994, whenever the properties are transferred; and

- If the property assignment contracts were signed before 1 January 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after 1 January 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular property projects approved by the Government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by the MOF and the STA, the tax-free period would be appropriately prolonged.

After the issuance of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, STA, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the assignment contracts are signed, taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance in the amount calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The STA also issued the ''Notice issued by STA 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 10 July 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, and to improve the methods of pre-levying for the pre-sale of property. That notice also pointed out the preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before 1 January 1994 or a project proposal that has been approved and for which capital was injected for development has expired, and that such tax shall be levied again.

The STA issued the ''Notice of STA in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax'' (關於加強土地增值稅管理工作的通知) on 2 August 2004 and the ''Notice of STA in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns'' (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on 5 August 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before 1 January 1994 has expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On 2 March 2006, the MOF and STA issued the ''Notice of Certain Issues Regarding Land Appreciation Tax.'' (關於土地增值稅若干問題的通知) The notice clarifies the relevant issues regarding LAT as follows:

(a) Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties

The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties or commercial properties, the value of land appreciation shall be assessed individually. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the Central Government.

(b) Advance Collection and Settlement of LAT

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as of the day following the expiration of the prescribed advance collection period.

- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On 28 December 2006, the STA 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 1 February 2007. The notice sets out further provisions concerning, among other things, the settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

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 is required to be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT is required to 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 in completed 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 either 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 indicates that if a property developer satisfies any of the following circumstances, the tax authorities will 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 an account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, 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 without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

To further strengthen LAT collection, in May 2009, the STA released the ''Rules on the Administration of the Settlement of Land Appreciation Tax'' (土地增值稅清算管理規程), which became effective on 1 June 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the aforesaid notice issued on 28 December 2006. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On 19 May 2010, the STA issued the ''Circular on Issuers Concerning Settlement of Land Appreciation Tax'' (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On 25 May 2010, the STA issued the ''Notice on Strengthening the Collection Land Appreciation Tax'' (關於加強土地增值稅徵管工作的通知), which requires the minimum LAT prepayment rate be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

(d) 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) which were promulgated by the State Council on 7 July 1997 and became effective on 1 October 1997 and as amended on 2 March 2019, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%–5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the STA 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 MOF, STA and MOHURD on 17 February 2016 and implemented on 22 February 2016, the rate of deed tax payable for real estate transactions was adjusted downward as follows:

(1) for an individual purchasing the only residential property for his/her household, the rate of deed tax was 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 was 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 temporarily not subject to the above deed tax preferential treatment policies.

Effective from 1 September 2021, the Deed Tax Law of the People's Republic of China (中華人民共和國契稅法) has superseded the Interim Regulations of the People's Republic of China on Deed Tax.

(e) Urban land use tax

Pursuant to the ''Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns'' (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on 27 September 1988 and revised on 31 December 2006, 7 December 2013 and 2 March 2019, respectively, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax as of 1 January 2007 shall be between RMB0.6 and RMB30.0 per square meter of urban land, calculated according to the tax rate determined by local tax authorities.

(f) 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) which were promulgated by the State Council on 15 September 1986 and became effective on 1 October 1986, property tax is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On 27 January 2011, the government of Chongqing Municipality issued the ''Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties'' (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the ''Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties'' (重慶市個人住房房產稅徵收管理實施細則), each became effective on 28 January 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from 28 January 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after 28 January 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 28 January 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax at 0.5%, 1% or 1.2%, respectively, of the property's purchase price. The second or further ordinary residential properties purchased on or after 28 January 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax at 0.5% of the property's purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before 28 January 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after 28 January 2011. The deductible area will apply to only one taxable residential property for one family, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On 27 January 2011, the government of Shanghai Municipality issued the ''Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai'' (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, 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 28 January 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on 28 January 2011.

On 23 October 2021, the Standing Committee of the NPC promulgated the Decision of the Standing Committee of the National People's Congress on Authorizing the State Council to Carry out a Pilot Scheme of Property Tax Reform in Certain Regions (全國人民代表大會常務委員會關於授權國務院在部分地區開展房地產稅改革試點工作的決定) under which, the objects subject to property tax in the pilot regions are various types of residential and non-residential properties, excluding rural homestead owned according to law and the housing thereon. Holders of land use rights and owners of houses are taxpayers of property tax. The non-residential properties shall continue to be subject to the existing regulations relating to the urban land use tax and the property tax. The State Council shall formulate the specific measures for the pilot scheme of property tax, and the people's governments of the pilot regions shall formulate the specific implementing rules. The State Council and its relevant departments and the people's governments of the pilot regions shall establish scientific and feasible models and procedures for administration of tax collection.

(g) 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) enacted by the State Council on 6 August 1988 and enforced on 1 October 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 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 is levied at RMB5 per item. Effective from 1 July 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 10 June 2021 will supersede the Interim Regulations of the People's Republic of China on Stamp Duty.

(h) 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) enacted by the State Council on 8 February 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the ''Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals'' (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from 1 December 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 MOF and the STA 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 1 December 2010. However, foreign-invested enterprises are exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax in current before 1 December 2010.

Effective from 1 September 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) has superseded the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax.

(i) Education surcharge

Under the ''Interim Provisions on Imposition of Education Surcharge'' (徵收教育費附加的暫行規定) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the ''Notice of the State Council on Raising Funds for Schools in Rural Areas.'' (國務院關於籌措農村學校辦學經費的通知) Under the ''Supplementary Notice Concerning Imposition of Education Surcharge'' (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on 12 October 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign Invested Freightage Enterprises, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and individuals (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 1 December 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 1 December 2010. However, foreign-invested enterprises are exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before 1 December 2010.

I. Measures on adjusting the structure of housing supply and stabilizing housing price

The General Office of the State Council enacted the ''Circular on Stabilizing Housing Price'' (關於切實穩定住房價格的通知) on 26 March 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On 9 May 2005, the General Office of the State Council revised the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, which provides the following:

(a) Intensifying the planning and control and improving the supply structure of houses

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(b) Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too rapidly, 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 in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

(c) Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From 1 June 2005, the business tax on transfer of a residential property by an individual within two years of the purchase is levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax is levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) Rectifying and regulating for an orderly market

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On 24 May 2006, the State Council forwarded the ''Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices'' (關於調整住房供應結構穩定住房價格的意見) (the ''Opinion'') of the Ministry of Construction and other relevant government authorities. The opinion provides the following:

(1) Adjusting the Housing Supply Structure

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.

- As of 1 June 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities listed on state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(2) Further adjustments by tax, loan and land policies

- From 1 June 2006, business tax is levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.

- Commercial banks are not allowed to advance loan facilities to property developers which do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.

- According to regulations issued by CBRC, purchasers of homes equal to or smaller than 90 sq.m. are required to pay a minimum of 20% of the purchase price as down payment. If the purchased home is larger than 90 sq.m., a minimum of 30% of the purchase price as down payment is required, pursuant to a regulation from 1 June 2006. Furthermore, on 27 September 2007 PBOC and CBRC increased the minimum down payment for purchasers of second homes from 30% to 40% of the purchase price regardless of the size of the second home, if the purchaser obtained his or her first home through a mortgage. Moreover, the mortgage loan rates for subsequent mortgages are required to be not less than 1.1 times the corresponding PBOC benchmark lending rates. Monthly mortgage payments are limited to 50% of an individual borrower's monthly income.

- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.

- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(3) Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt ''excessive property growth triggered by passive means'' (被動性住房需求的過快增長).

(4) Further Rectifying and Regulating the Order of the Property Market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or permit for pre-sale of commodity properties (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law.

- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers which deliberately manipulate the supply of commodity housing, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(5) Gradually relieving the housing demands for low-income families

- To expedite the establishment of low-cost public housing supply systems in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(6) Improving information disclosure system and system for collecting property statistics

On 6 July 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang 2006 No. 165) (關於落實新建住房結構比例要求的若干意見) (''the Supplemental Opinion''). The Supplemental Opinion provides the following:

- As of 1 June 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.

- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before 1 June 2006 but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On 27 September 2007, PBOC and CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing. See ''—Legal supervision relating to property sector in the PRC—F. Property financing.''

(e) Implementing restrictions on the payment terms for land use rights

On 10 October 2007, the Ministry of Land and Resources issued a regulation, which reiterated that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective on 1 November 2007.

Pursuant to the notice on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

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

On 26 January 2011, the State Council issued the ''Notice on Further Strengthening Regulation and Control of Real Property Markets'' (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On 27 January 2011, the MOF and the STA jointly issued a new ''Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties'' (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on 28 January 2011.

On 26 February 2013, the General Office of the State Council issued 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.

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

i) the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guidance and supervision by the competent real estate registration authority at the higher level;

ii) the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition and ownership conditions of the real estate, and restriction of rights;

iii) the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform 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 management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels; and

iv) any right holder or interested party may inquire about or copy 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 purposes and no such information may be disclosed to the public or others without the consent of the right holder.

The ''Implementing Rules of the Interim Regulations on Real Estate Registration'' (不動產登記暫行條例實施細則), effective from 1 January 2016, 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.

On 27 August 2015, the MOHURD, the MOF and PBOC jointly issued the ''Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund'' (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from 1 September 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

On 1 February 2016, the PBOC and CBRC jointly issued the ''Notice on the Adjustment of Individual Housing Loans Policies'' (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On 10 October 2016, the MOHURD issued the ''Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order'' (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

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

On 19 May 2018, MOHURD issued the ''Notice on Issues of Further Do Good Job of the Regulation of the Real Estate Market'' (關於進一步做好房地產市場調控工作有關問題的通知), which requires the local governments to formulate the residential property development plan according to their respective social development level, supply and demand of residential property and local population. According to the notice, certain cities shall increase the land supply for residential properties.

Legal supervision relating to hotel sector in the PRC

A. Foreign invested hotel project

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), construction and operation of hotels does not fall within the negative list.

B. Hotel management

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(a) Legal supervision on security and fire control

Pursuant to the ''Measures for the Control of Security in the Hotel Industry'' (旅館業治安管理辦法) issued by the Ministry of Public Security of the People's Republic of China, enforced on 10 November 1987 and as amended on 8 January 2011 and 29 November 2020, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city, if hotel 188 enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. 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) which were promulgated by the Ministry of Public Security on 14 November 2001 and became effective on 1 May 2002, hotels (or motels) are units which require special supervision on 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.

(b) Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should acquire the sanitation license. The measures for granting and managing the 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.

(c) Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

(d) 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 29 January 2006 and enforced on 1 March 2006 and as amended on 6 February 2016 and 29 November 2020, hotels that operate singing, dancing and game places for profits are required to apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venues according to the prescriptions set down by the competent department governing entertainment administrations under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movie and TV, hotels above three-star or 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.

(e) 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 29 June 2004, effective on 1 July 2004 and as amended on 29 January 2009, hotels that have been using or planning to use the city sewage system for water drainage are required to apply to the local city construction authority for a city water-draining permit.

(f) Supervision on special equipment security

Equipment such as elevators (lifts or escalators), boilers and pressure containers, are special equipment. According to the ''Regulations on Security Supervisal of Special Equipment'' (特種設備安全監察條例) which were promulgated by the State Council on 11 March 2003 and became effective on 1 June 2003, as amended on 24 January 2009, hotels are required to register with the special equipment security supervision authority of municipal government or city which has set up districts, and are required to apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

(g) Supervision on sale of tobacco and alcohol

According to law and regulations in relation to sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License. According to the Guidance Catalog a foreign-invested enterprise that operates wholesale and retail is not allowed to operate in tobacco business. According to the ''Food Safety Law of the PRC'' (中華人民共和國食品安全法), a licensing system will be implemented for the food production and trading. Any enterprise which engages in food production, food selling (including the sale of alcohol) or catering services shall obtain the license from the competent food and drug administration authorities.

Legal supervision relating to property management sector in the PRC

A. Foreign-invested real estate management enterprises

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), property management does not fall within the negative list.

B. Qualifications of a real estate management enterprise

According to the ''Regulation on Real Estate Management'' (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, as amended on 26 August 2007 and effective on 1 October 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the ''Measures for Administration of Qualifications of Real Estate Service Enterprises'' (物業服務企業資質管理辦法) which were promulgated by the Ministry of Construction on 17 March 2004 and became effective on 1 May 2004, as amended on 26 November 2007, a newly established real estate service enterprise is required to, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a ''real estate service qualification certificate'' corresponding to their grading assessment results. On 8 March 2018, the Measures for Administration of Qualifications of Real Estate Service Enterprises were abolished. On 19 March 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property service enterprises.

C. Employment of a real estate service enterprise

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management company by the owners or the general meeting, the property developer shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

Legal supervision relating to construction sector in the PRC

A. Foreign-invested construction enterprise

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), construction business does not fall within the negative list.

B. The qualification of a construction enterprise

According to Construction Law of the PRC and the ''Provisions on the Administration of Qualifications of Enterprises in Construction Industry'' (建築業企業資質管理規定), which was promulgated by the MOHURD on 22 January 2015 and became effective on 1 March 2015 and as amended on 13 September 2016 and 13 December 2018 respectively, and other relevant regulations, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its net asset value, professional personnel, technical equipment and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to above-mentioned Provisions on the Administration of Qualifications of Enterprises in Construction Industry, the qualifications will be divided into three categories, namely, that for undertaking the whole of a construction project, that for undertaking a specialized contract and that for undertaking a labor service by subcontract. The categories of qualifications for undertaking the whole of a construction project, undertaking a specialized contract and undertaking a labor service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The department in charge of construction under the State Council is responsible for the approval of the qualification of special class or first class enterprises for undertaking the whole of a construction project, the second class enterprises for undertaking the whole of a railway construction project, the qualification of the first class enterprises in highways, water carriage, water resources, railway, and airline industry and the second class enterprises in railway or airline for undertaking the specialized contract, and the qualification of first class enterprises for undertaking the specialized contract involving several specialties. The administrative department in charge of construction of the relevant provincial, autonomous regional or municipal government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the second class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking the whole of a railway or communication engineering construction project, the first and second class enterprises for undertaking a specialized contract, the third class enterprises for undertaking a specialized contract in railway as well as qualification for undertaking a specialized contract for special projects, except for those required to be approved by the department in charge of construction under the State Council. The administrative department in charge of construction of the relevant city government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the third class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking a specialized contract, qualification for undertaking a specialized contract in respect of premixed concrete and formwork scaffolds, the qualification of an enterprise of labor service by subcontract or gas appliance installation and repair, except for those required to be approved by the department in charge of construction under the State Council or at the provincial level.

According to the ''Measures of the Ministry of Construction for the Implementation of the Relevant Qualification Administration Provided in the Provisions on the Administration of Foreign Funded Construction Enterprises'' enacted by the Ministry of Construction and enforced on 8 April 2003, where a foreign enterprise purchases a domestic-funded construction enterprise, and the enterprise is restructured into a foreign-funded construction enterprise, the qualification of that enterprise is reviewed anew according to the standard it actually meets.

According to the Regulation on the Quality Management of Construction Projects an enterprise which undertakes a project without obtaining the qualification certificate for enterprises in the construction industry shall be banned, and be imposed a fine of 2% to 4% of the contractual price of the project. If it obtains any illegal proceeds, such proceeds shall be confiscated.

C. The business scope of qualifications for a wholly foreign owned construction enterprise

According to the Regulations on the Administration of Foreign-invested Construction Enterprise, a wholly foreign owned construction enterprise is allowed to contract, within its scope of qualifications, the following projects: (a) a project that is to be constructed totally with the investment of a foreign country or the donation of a foreign country or the investment and donation of a foreign country; (b) a project funded by an international financial institution or granted through international bidding according to terms of loan; (c) a joint construction project of which foreign investment holds 50% or more, and a sino-foreign joint construction enterprise in which foreign investment holds less than 50% but which cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and has been approved by the administrative department of construction of the relevant provincial, regional or municipal government; and (d) a construction project using Chinese investment but that cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and for which the administrative department of construction of the relevant provincial, regional or municipal government has approved being jointly contracted by Chinese and foreign construction enterprises.

Regulation on foreign exchange registration of offshore investment by PRC residents

In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular No. 37.

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

On 26 December 2017, NDRC issued the ''Administrative Measures for the Outbound Investment of Enterprises'' (企業境外投資管理辦法), or the Measures, effective from 1 March 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of US$300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. On 31 January 2018, NDRC issued the ''Catalogue of Sensitive Outbound Investment Industry (2018 Version)'' (境外投資敏感行業目錄(2018年版)), effective from 1 March 2018. Under the catalogue, enterprises shall be restricted from making outbound investments in certain industries including without limitation to real estate and hotel.

Foreign Debt Administration of NDRC

On 14 September 2015, the NDRC issued the NDRC Notice which came into effect on the same date. According to the NDRC Notice, domestic enterprises and their overseas controlled entities should register any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten business days after the issue of the securities. On 11 May 2018, the NDRC and the MOF jointly issued the ''Notice on Promoting the Market Restraint Mechanisms to Strictly Prevent the Risks of Foreign Debt and Local Debt'' (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) which reiterated the regulatory administration of foreign debt. On 27 June 2018, NDRC emphasized in a post on its website that the proceeds from offshore bond offerings by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On 12 July 2019, NDRC published the ''Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises'' (關於對房地產企業發行外債申請備案登記有關要求的通知) on its website, which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts that will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. If the real estate developer does not comply with these restrictions, it may not be able to obtain foreign debt registrations in the future.

Management

The following table sets forth certain information with respect to directors of the Company (the ''Director(s)'') and senior management of the Company as of the date of this Offering Circular.

Name	Age	Title
Mr. Yeung Kwok Keung	67	Chairman and Executive Director
Ms. Yang Huiyan	40	Co-Chairman and Executive Director
Mr. Mo Bin	54	President and Executive Director
Ms. Yang Ziying	34	Executive Director
Mr. Yang Zhicheng	48	Executive Director
Mr. Song Jun	54	Executive Director
Mr. Su Baiyuan	56	Executive Director
Mr. Chen Chong	43	Non-Executive Director
Mr. Lai Ming, Joseph	77	Independent Non-Executive Director
Mr. Shek Lai Him, Abraham	76	Independent Non-Executive Director
Mr. Tong Wui Tung	71	Independent Non-Executive Director
Mr. Huang Hongyan	51	Independent Non-Executive Director
Mr. To Yau Kwok	69	Independent Non-Executive Director
Mr. Cheng Guangyu	41	Executive Vice President
Ms. Wu Bijun	48	Vice President and Chief Financial Officer
Mr. Li Xiaolin	49	Vice President
Ms. Yang Cuilong	50	Vice President
Ms. Yang Lixing	51	Vice President
Mr. Huang Yuzang	46	Vice President
Ms. Li Jing	42	Vice President

Directors

Our board currently consists of 13 directors, five of whom are independent non-executive directors. Mr. Mo Bin was appointed as our president and executive director in July 2010. Ms. Yang Ziying was appointed as our executive director in May 2011. Mr. Huang Hongyan was appointed as our independent non-executive director in December 2012. Mr. Song Jun was appointed as our executive director in May 2013. Mr. Su Baiyuan was appointed as our executive director in December 2013. Mr. To Yau Kwok was appointed as our independent non-executive director in June 2019. Mr. Chen Chong was appointed as our non-executive director in December 2016. All the remaining directors were appointed in December 2006.

Executive directors

Yeung Kwok Keung (楊國強), aged 67, was appointed as the Chairman and an executive Director in December 2006. Mr. Yeung is also the chairman of the Nomination Committee, the Corporate Governance Committee, the Environmental, Social and Governance Committee and the Executive Committee, a member of the Remuneration Committee and a director of various members of the Group. Mr. Yeung is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the Board functions properly with good corporate governance practice. From 1992 to 1997, Mr. Yeung was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司) (''Shunde Sanhe Co.'') the real estate business in which Mr. Yeung was engaged in before he founded the Group. From 1986 to 1997, Mr. Yeung served as the general manager and the chairman of Shunde Beijiao Construction Company Limited (順德市北滘建築工程有限公司) and also served as the general manager of the Group from 1997 to 2003. He has been the Chairman since the Company was listed in 2007. Mr. Yeung has over 43 years of experience in construction and over 29 years of experience in property development. Mr. Yeung was awarded ''China Charity Outstanding Contributions Person'' and ''Top Ten Contributions Persons to China Real Estate'' in 2009, ''China Real Estate Entrepreneur Charity Award'' and ''Person of China Real Estate'' in 2010, ''Individual under Non-collectively Own Category for Helping Poverty in Guangdong'' in 2011, ''2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur'' in 2012, ''National Outstanding Individual for Poverty Relief'' Honorable Mention in 2014, ''2015 China Poverty Eradication Award'' in 2015, ''China Charity Award-The Most Caring Contributing Individual'' and ''National Contribution Award for Poverty Relief'' in 2016, as well as ''National Outstanding Individual in Poverty Alleviation'' in 2021. Mr. Yeung is a member of the 12th and 13th National Committee of the Chinese People's Political Consultative Conference, the Honorary President of Guangdong Foundation for Poverty Alleviation and the Honorable Director of Tsinghua University. Mr. Yeung is the father of Ms. Yang Huiyan, the Co-Chairman, an executive Director and the controlling shareholder of the Company; the father of Ms. Yang Ziying, an executive Director; the uncle of Mr. Yang Zhicheng, an executive Director; and the father-in-law of Mr. Chen Chong, a non-executive Director.

Yang Huiyan (楊惠妍), aged 40, was appointed as an executive Director in December 2006 and a Vice Chairman in March 2012 and was re-designated from a Vice Chairman to a Co-Chairman in December 2018. Ms. Yang is also a member of the Corporate Governance Committee, the Environmental, Social and Governance Committee, the Executive Committee and the Finance Committee of the Company and a director of various members of the Group. Ms. Yang graduated from Ohio State University with a bachelor degree in marketing and logistics and she also obtained an EMBA degree from Tsinghua University in 2019. Ms. Yang joined the Group in 2005 and served as the manager of the procurement department. Currently, she is primarily responsible for assisting Mr. Yeung Kwok Keung, the Chairman, in the day-to-day work of the Group, and responsible for the Group's strategic investments and new business exploration based on the existing business, such as new retail business, contributing to the Company's sustainable development. Ms. Yang is a director of Concrete Win Limited, the substantial shareholder of the Company, which has an interest in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance. Ms. Yang was appointed as a director and the chairperson of the board of Bright Scholar Education Holdings Limited, a company whose shares are listed on The New York Stock Exchange, in February and April 2017 respectively, and as the chairman and a non-executive director of Country Garden Services Holdings Company Limited (''CG Services''), a company whose shares are listed on the Hong Kong Stock Exchange, in March 2018. Ms. Yang was awarded ''China Charity Award Special Contribution Award'' in 2008, ''China Poverty Alleviation Award Contribution Award'' in 2019 and ''The 11th China Charity Award Individual Donor Award'' in 2021. Ms. Yang is the daughter of Mr. Yeung Kwok Keung, the Chairman and an executive Director; the sister of Ms. Yang Ziying, an executive Director; a cousin of Mr. Yang Zhicheng, an executive Director; and the wife of Mr. Chen Chong, a non-executive Director.

Mo Bin (莫斌), aged 54, was appointed as the President of the Company and an executive Director in July 2010. Mr. Mo is also a member of the Remuneration Committee, the Corporate Governance Committee, the Environmental, Social and Governance Committee, the Executive Committee and the Finance Committee of the Company and a director of several members of the Group. Mr. Mo graduated from Hengyang Institute of Technology (currently known as University of South China) with a bachelor degree in industrial and civil architecture. He obtained his postgraduate degree from Zhongnan University of Economics and Law and is a professor-grade senior engineer. Mr. Mo is primarily responsible for the management of daily operation and general administration of the Group. Prior to joining the Group, Mr. Mo was employed by an internationally competitive construction and property group in Mainland China, China State Construction Engineering Corporation, in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Engineering Division Corp., Ltd.. Mr. Mo ceased to be a non-executive director of E-House (China) Enterprise Holdings Limited with effect from 31 August 2020, a company whose shares are listed on the Hong Kong Stock Exchange. Mr. Mo has over 31 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management. Mr. Mo won the 1st place of ''Best CEO — Property (Combined)/(Buy-Side)/(Sell-Side)'' at the ''2019 All-Asia Executive Team'' and the 1st place of ''Best CEO — Property (Sell-side)'' at the ''2020 All-Asia Corporate Executive Team'' organised by financial magazine, Institutional Investor.

Yang Ziying (楊子莹), aged 34, was appointed as an executive Director in May 2011. Ms. Yang is also a member of the Executive Committee and the Finance Committee of the Company. Ms. Yang graduated from Ohio State University with a bachelor degree in psychology. Ms. Yang joined the Group in 2008 as an assistant to the Chairman. Currently, she is primarily responsible for overseeing the finance of the Group, including offshore and onshore financing. Prior to joining the Group, Ms. Yang worked in a renowned global investment bank. Ms. Yang is the daughter of Mr. Yeung Kwok Keung, the Chairman and an executive Director; the sister of Ms. Yang Huiyan, the Co-Chairman, an executive Director and the controlling shareholder of the Company; a cousin of Mr. Yang Zhicheng, an executive Director; and a sister-in-law of Mr. Chen Chong, a non-executive Director.

Yang Zhicheng (楊志成), aged 48, was appointed as an executive Director in December 2006, a regional president of the Group, a member of the Executive Committee and the Finance Committee of the Company. Mr. Yang is primarily responsible for the overall development and management of certain property development projects of the Group. Prior to joining the Group in 1997, Mr. Yang served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. After joining the Group, he served as the project general manager and was appointed as a vice President of the Company in November 2017. Mr. Yang was appointed as a non-executive director of CG Services, a company whose shares are listed on the Hong Kong Stock Exchange, in March 2018. Mr. Yang has approximately 27 years of experience in project development. Mr. Yang is a nephew of Mr. Yeung Kwok Keung, the Chairman and an executive Director; a cousin of Ms. Yang Huiyan, the Co-Chairman, an executive Director and the controlling shareholder of the Company; a cousin of Ms. Yang Ziying, an executive Director; and a cousin-in-law of Mr. Chen Chong, a non-executive Director.

Song Jun (宋軍), aged 54, was appointed as an executive Director in May 2013. Mr. Song graduated from Chongqing College of Construction and Architecture (currently known as Chongqing University) with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining the Group in 1994, Mr. Song worked in Hunan Province Jishou City Construction Institute and Guangdong Elite Architectural Co., Ltd. (''Elite Architectural'') and was responsible for architectural design work. Since 1997, he served as a project manager and a general manager of Foshan Shunde Country Garden Property Development Co., Ltd. and Guangzhou Country Garden Company, and has been serving as vice President of the Company since 2005, and has been responsible for the management of property project development of the Group. Currently, Mr. Song is responsible for the overall operation, management and sustainable development of property projects of the Group in certain regions. Mr. Song has 24 years of experience in the management of property development.

Su Baiyuan (蘇柏垣), aged 56, was appointed as an executive Director in December 2013. Mr. Su graduated from Guangzhou Normal Institute (currently known as Guangzhou University) with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-sen University. Prior to joining the Group in 2005, Mr. Su had over 10 years of experience in land planning and development as well as operational management. Mr. Su was a vice President of the Company until February 2013, and was primarily responsible for investment development and the overall management of certain property development projects of the Group. Mr. Su was reappointed as a vice President of the Company in November 2013. Currently, he is primarily responsible for overseas development and the management of certain overseas property development projects of the Group.

Non-executive Director

Chen Chong (陳翀), aged 43, was appointed as a non-executive Director in December 2016. Mr. Chen graduated from Tsinghua University with a bachelor of science in chemistry and obtained an EMBA degree in 2016. Mr. Chen also obtained a master of science in biological sciences research from Royal Holloway and Bedford New College, University of London. In 2015, Mr. Chen was appointed as the first president of the Overseas Study Youth Association of Guangdong Province, and was elected as a member of the 13th Standing Committee of the All-China Youth Federation in 2020. Mr. Chen is a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and the President of Guoqiang Foundation. Mr. Chen is the son-in-law of Mr. Yeung Kwok Keung, the Chairman and an executive Director; the husband of Ms. Yang Huiyan, the Co-Chairman, an executive Director and the controlling shareholder of the Company; a brother-in-law of Ms. Yang Ziying, an executive Director; and a cousin-in-law of Mr. Yang Zhicheng, an executive Director.

Independent Non-Executive Directors

Lai Ming, Joseph (黎明), aged 77, was appointed as an independent non-executive Director in December 2006 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants (''HKICPA''), CPA Australia, the Chartered Institute of Management Accountants (''CIMA'') and the Hong Kong Institute of Directors. Mr. Lai was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. Lai resigned as an independent non-executive director of Jolimark Holdings Limited on 21 May 2019, a company whose shares are listed on the Hong Kong Stock Exchange. Mr. Lai also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

Shek Lai Him, Abraham (石禮謙) G.B.S., S.B.S., J.P., aged 76, was appointed as an independent non-executive Director in December 2006 and is currently a member of the Audit Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Shek graduated from the University of Sydney and holds a bachelor of Arts degree and a diploma in Education. Mr. Shek was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the Government of the HKSAR in 2007 and 2013 respectively. Mr. Shek was a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency until 31 December 2021, and is an honorary member of the court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. Mr. Shek currently holds directorship in a number of listed companies on the Main Board of the Hong Kong Stock Exchange: (i) the honorary chairman and independent non-executive director of Chuang's China Investments Limited; (ii) the vice chairman and an independent non-executive director of ITC Properties Group Limited; and (iii) an independent non-executive director of Far East Consortium International Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang's Consortium International Limited, China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Everbright Grand China Assets Limited, CSI Properties Limited, Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust) respectively. Mr. Shek is an independent non-executive director of Landing International Development Limited with effect from 14 August 2020, of Hao Tian International Construction Investment Group Limited with effect from 15 October 2020, has been appointed as the vice chairman and re-designated from independent non-executive director to executive director of Goldin Financial Holdings Limited with effect from 1 March 2021, has been appointed as an advisor of SJM Holdings Limited with effect from 28 May 2021, and has been appointed as an independent non-executive director of International Alliance Financial Leasing Co., Ltd. with effect from 28 July 2021, all of which are companies listed on the Main Board of the Hong Kong Stock Exchange. Mr. Shek was (i) the chairman of Chuang's China Investments Limited (retired on 29 April 2019); and (ii) an independent non-executive director of Midas International Holdings Limited (resigned on 26 January 2018), of MTR Corporation Limited (retired on 22 May 2019), of Hop Hing Group Holdings Limited (retired on 2 June 2020), and of SJM Holdings Limited (retired on 28 May 2021), all of which are companies listed on the Main Board of the Hong Kong Stock Exchange, respectively.

Tong Wui Tung (唐滙棟), aged 71, was appointed as an independent non-executive Director in December 2006. He is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Tong has been practicing as a solicitor in Hong Kong for over 40 years and is a partner of the law firm, Messrs. Ronald Tong & Co., with effect from 1 June

2021. Mr. Tong is the company secretary of Y.T. Realty Group Limited with effect from 1 August 2021, a company whose shares are listed on the Main Board of the Hong Kong Stock Exchange. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. Tong ceased to be a partner of Messrs. Cheung, Tong & Rosa Solicitors with effect from 31 July 2021, and a non-executive director of Yip's Chemical Holdings Limited with effect from 5 June 2018, a company whose shares are listed on the Hong Kong Stock Exchange.

Huang Hongyan (黃洪燕), aged 51, was appointed as an independent non-executive Director in December 2012. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Huang graduated from Toulouse Business School, Doctorate of Business Administration, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. Huang serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. Huang ceased to be an independent director of C&S Paper Co., Ltd. from 22 January 2021 and ceased to be an independent director of Guangdong Transtek Medical Electronics Co., Ltd. from 21 February 2019, both of which are companies whose shares are listed on the Shenzhen Stock Exchange.

To Yau Kwok (杜友國), aged 69, was appointed as an independent non-executive Director in June 2019. Mr. To graduated from Jinan University majoring in economics and management in 1992. Since 1993, Mr. To engaged in business activities in Mainland China such as property development, and had gained ample experience in areas such as property development, wholesale and retail, and machinery trade. Mr. To is currently the honorary chairman of Foshan City Shunde District Xinlixin Business Development Limited and Foshan City Shunde District Renfu Car Maintenance Plant Limited respectively.

Cheng Guangyu (程光煜), aged 41, is an executive vice President of the Company. Mr. Cheng graduated from Tsinghua University with a bachelor's and doctoral degree in civil engineering in 2002 and 2007 respectively, and from Guanghua School of Management of Peking University with an EMBA degree in 2015. Mr. Cheng joined the Group in 2007 and has been responsible for overall operation management and sustainable development of property projects in certain regions under his supervision from 2012 to 2014. Since 2014, Mr. Cheng has been responsible for the overall sales and marketing management of the Group. Currently, Mr. Cheng is responsible for the overall sales and marketing management, brand management, investment planning management and product design management of the Group. Mr. Cheng also oversees the Risk Control, Audit and Supervision Center and Commercial and Culture Tourism Group. Mr. Cheng has over 13 years of experience in management of property development.

Wu Bijun (伍碧君), aged 48, was appointed as a vice President and the Chief Financial Officer of the Company in April 2014 and April 2017 respectively. Ms. Wu is also the chairman of the Finance Committee and the general manager of the finance centre of the Company. Ms. Wu graduated from the Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree of economics majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. Wu is responsible for finance and capital management of the Group. Prior to joining the Group in 2005, Ms. Wu worked at Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. Wu was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the auditor's reports. From 2002 to 2005, Ms. Wu worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Since joining the Group in 2005, Ms. Wu has been mainly responsible for the financial management of the Group. Ms. Wu has 16 years of experience in the management of real estate financial resources and approximately 26 years of experience in financial management. Ms. Wu won the 1st place of ''Best CFO — Property (Combined)/(Sell-Side)'' at the ''2019 All-Asia Executive Team'' and the 1st place of ''Best CFO — Property (Sell-Side)'' at the ''2020 All-Asia Corporate Executive Team'' organized by financial magazine, Institutional Investor.

Li Xiaolin (黎曉林), aged 49, is a vice President of the Company. Mr. Li graduated from Department of Civil Engineering of Tsinghua University with a bachelor degree of architecture and structural engineering and Guanghua School of Management of Peking University with EMBA, and is a qualified PRC architecture engineer and a qualified real estate appraiser in the PRC. Prior to joining the Group in 2008, Mr. Li worked in Zhuhai Zhuguang Architecture Design Engineering Company and was responsible for architecture design, as well as in various property developers, namely New Home (Zhuhai) Real Estate Co. Ltd., Zhongshan Paramount Development Co., Ltd. and China Vanke Co., Ltd., and was responsible for property development and management. Since 2008, Mr. Li has been responsible for the overall operation, management and sustainable development of property projects in certain regions of the Group. He was designated to the general manager of the human resource management centre of the Group since February 2020 and also served as the general manager of the operation centre of the Group in October 2020. Mr. Li has 24 years of experience in the management of property development.

Yang Cuilong (楊翠瓏), aged 50, is a vice President of the Company. Ms. Yang graduated from South China University of Technology with a bachelor's degree of architecture and is a national first class registered architect in the PRC and a senior engineer. In 2019, Ms. Yang also obtained an EMBA degree from Tsinghua University School of Economics and Management. Prior to joining the Group in 2000, Ms. Yang worked in Elite Architectural as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she served as the head of general office of the projects and an assistant to President of the Company, as well as the general manager for project tendering management department of the Group. She was appointed as the vice President of the Company and served as the general manager of the cost management centre of the Group since September 2014 and was responsible for the Group's construction cost, construction tendering and cost management. Since January 2019, Ms. Yang was appointed as the general manager of the design management centre of the Group and was responsible for the design system management. Since February 2020, Ms. Yang was re-appointed as the general manager of the cost management center of the Group. Ms. Yang has 10 years of experience in architectural design and management and 19 years of experience in operation management and construction cost management for real estate.

Yang Lixing (楊麗興), aged 51, is a vice President of the Company. Ms. Yang graduated from South China University of Technology majoring in management. Ms. Yang joined the Group in 1992 and has been responsible for procurement management of the Group. Ms. Yang was appointed as the vice President of the Company in September 2014 as well as the general manager of the procurement centre of the Group. Ms. Yang has 28 years of experience in the procurement management for real estate.

Huang Yuzang (黃宇奘), aged 46, is a vice President of the Company and was appointed as the general manager of Innovative Business Promotion Office of the Group in April 2021. Mr. Huang graduated from Zhejiang University with a bachelor's degree in architecture and from Peking University with a master's degree in geography (city and urban planning). He is a first-class national registered architect. Prior to joining the Group, Mr. Huang worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. Huang has 22 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards both in Mainland China and overseas with his advanced design ideas. Mr. Huang was recognised as ''The First Top Ten Young Architect of Shenzhen'', ''The Ninth Chinese Architecture Academy Young Architect'' and ''New Real Estate Architect for the year of 2014''. Mr. Huang joined the Group in March 2015 and was responsible for the design system as the chief designer of the Group. Mr. Huang was also appointed as the general manager of the cost management centre of the Group in January 2019 and was responsible for the Group's construction cost, construction tendering and cost management, and was appointed as the president of Anhui region of the Group during the period from February 2020 to April 2021.

Li Jing (李靜), aged 42, is a vice President of the Company. Ms. Li graduated from Northwest University of Political Science and Law with a bachelor's degree in law and Sun Yat-sen University with a master's degree in public administration. Prior to joining the Group, she worked for the China Communist Youth League Guangdong Committee and the Guangzhou Municipal People's Procuratorate. Ms. Li joined the Group in October 2017 and currently serves as a vice President of the Company, director of the Group General Office, director of the Targeted Poverty Alleviation and Rural Revitalization Office and vice president of Guoqiang Foundation. Ms. Li is responsible for the Group's administrative affairs, charitable endeavors, targeted poverty alleviation programs and rural revitalization efforts.

Compensation of directors

Our directors receive remuneration in the form of salaries, discretionary bonuses, contributions to pension schemes and benefits in kind. The aggregate salary paid to our directors for each of the three years ended 31 December 2018, 2019 and 2020, was RMB67.0 million, RMB65.2 million and RMB54.5 million (US$8.4 million) respectively. In accordance with the rules and regulations in the PRC, our PRC based employees, including employees who are directors, participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which we and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. For the years ended 31 December 2018, 2019 and 2020, we contributed approximately RMB242,000, RMB230,000 and RMB160,000 (US$24,781) respectively, to the plans in respect of our directors. The aggregate amounts of compensation (including salaries, discretionary bonuses, contributions to pension schemes and benefits in kind) which were paid to our directors during each of the three years ended 31 December 2018, 2019 and 2020, were RMB212.3 million, RMB261.9 million and RMB141.3 million (US$21.9 million), respectively.

Audit committee

We have established an audit committee. The principal duties of our audit committee include, among other things: (i) being primarily responsible for making recommendations to our board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) developing and implementing a policy on engaging an external auditor to supply non-audit services; (iv) monitoring the integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, before submission of the financial statements and reports to our board and reviewing significant financial reporting judgments contained in them; (v) reviewing the Company's financial control, risk management and internal control systems; and (vi) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The members of the audit committee are four of our independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Lai Ming, Joseph is the chairman of our audit committee.

Remuneration committee

We have established a remuneration committee. The principal duties of our remuneration committee include, among other things; (i) making recommendations to our board on the Company's policy and structure for all remuneration of our directors and senior management of our Group; (ii) reviewing and approving the management's remuneration proposals with reference to our board's corporate goals and objectives; and (iii) making recommendations to our board on the remuneration packages of our individual executive director, non-executive directors and senior management with reference to their performance and terms of the service contracts. The remuneration committee consists of six members, of whom two are executive directors being Mr. Yeung Kwok Keung and Mr. Mo Bin, and four are independent non-executive directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Tong Wui Tung is the chairman of our remuneration committee.

Corporate governance committee

We have established a corporate governance committee. The principal duties of our corporate governance committee include, among other things: (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to our board; (ii) reviewing and monitoring the training and continuous professional development of our directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our Group's employees and directors; and (v) reviewing our Company's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in our corporate governance report. The corporate governance committee consists of three members, of whom all three are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan and Mr. Mo Bin. Mr. Yeung Kwok Keung is the chairman of our corporate governance committee.

Nomination committee

We have established a nomination committee. The principal duties of our nomination committee include, among other things: (i) reviewing the policy concerning diversity of board members and the structure, size and composition of our board and making recommendations on any proposed changes to our board to complement the Company's corporate strategy; (ii) developing and maintaining a policy for the nomination of board members which includes the nomination procedures and the process and criteria adopted by the nomination committee to identify, select and recommend candidates for directorship during the year and reviewing periodically the policy and the progress made towards achieving the objectives set in the policy; (iii) identifying individuals suitably qualified to become our board members and selecting or making recommendations to our board on the selection of individuals nominated for directorships; (iv) assessing the independence of our independent non-executive directors; and (v) making recommendations to our board on the appointment or re-appointment of our directors and succession planning for our directors. The nomination committee consists of four members, an executive director, Mr. Yeung Kwok Keung and three independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Yeung Kwok Keung is the chairman of our nomination committee.

Executive committee

We have established an executive committee. The principal duties of our executive committee include, among other things: (i) discussing and making decisions on matters relating to the management and operations of the Company including but not limited to corporate matters, financial/treasury planning and to form strategy; (ii) considering and making recommendations to our board on acquisitions of or investments in business or projects; and (iii) reviewing and discussing any other matters as may from time to time be delegated by our board. The executive committee consists of five members, of whom all five are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan, Mr. Mo Bin, Ms. Yang Ziying and Mr. Yang Zhicheng. Mr. Yeung Kwok Keung is the chairman of our executive committee.

Finance committee

We have established a finance committee. The principal duties of our finance committee include, among other things: (i) approving the opening and cancelling of bank/securities accounts in name of the Company (''Accounts'') and the changing of authorised signatories of the Accounts and dealing with any other matters from time to time in relation to the Accounts; (ii) executing any matters in relation to buy-back of shares of the Company pursuant to the authorisation granted by our board from time to time and the mandate given by the shareholders of the Company; and (iii) executing any matters in relation to the employees' share incentive scheme pursuant to the authorisation granted by our board from time to time (unless otherwise provided for under Chapter 17 of the Listing Rules). The finance committee consists of seven members, four executive directors, namely Ms. Yang Huiyan, Mr.

Mo Bin, Mr. Yang Ziying and Mr. Yang Zhicheng, one is our chief financial officer being Ms. Wu Bijun, and two senior management of our finance centre. Ms. Wu Bijun is the chairman of our finance committee.

Environmental, social and governance committee

We have established an environmental, social and governance committee. The principal duties of our environmental, social and governance committee include, among other things: (i) formulating and reviewing our Group's environmental, social and governance (''ESG'') liabilities, vision, strategies, structure, principles and policies; (ii) monitoring the channels and means of communication with the Group's stakeholders; (iii) reviewing key ESG trends and related risks and opportunities, and assessing the adequacy and effectiveness of our Group's ESG structure and business model; (iv) overseeing our Group's sustainability performance; (v) overseeing the funding of the initiatives on corporate social responsibilities; and (vi) reviewing and recommending to our board for approval of the annual sustainability report of our Company. The environmental, social and governance committee consists of six members, three executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan and Mr. Mo Bin, and three independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung. Mr. Yeung Kwok Keung is the chairman of our environmental, social and governance committee.

Directors' interests

As of the date of this Offering Circular, the interests of the directors of our Company who held office at the date of this Offering Circular in the shares, underlying shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the ''SFO'')) as recorded in the register which were required to be kept under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Name of Directors	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage to the total issued shares as of of the date of this Offering Circular	Amount of debentures held
Mr. Yeung Kwok Keung . .	Interest of controlled corporation	—	—	—	—	US$585,000,000[5]
Ms. Yang Huiyan	Interest of controlled corporation	14,179,076,995[1]	—	14,179,076,995	61.25%	—
Mr. Mo Bin.	Beneficial owner	86,591,006	—	86,591,006	0.37%	US$30,000,000[6]
Ms. Yang Ziying.	Interest of controlled corporation	—	—	—	—	US$18,000,000[7]
Mr. Yang Zhicheng.	Beneficial owner	1,338,799	7,627,990[2]	8,966,789	0.03%	—
Mr. Song Jun	Beneficial owner	108,310	6,781,150[2]	6,889,460	0.02%	—
Mr. Su Baiyuan	Beneficial owner	480,331	3,060,126[2]	3,540,457	—	—
	Interest of spouse	462,209[3]	—	462,209	—	—
				4,002,666	0.01%	
Mr. Chen Chong	Interest of spouse	14,179,076,995[4]	—	14,179,076,995	61.25%	—
Mr. Lai Ming, Joseph	Beneficial owner	1,112,522	—	1,112,522	0.01%	—
Mr. Shek Lai Him, Abraham	Beneficial owner	1,176,178	—	1,176,178	0.01%	—
Mr. Tong Wui Tung	Beneficial owner	1,014,786	—	1,014,786	0.01%	—

Notes:

(1) These shares represent shares held by Concrete Win Limited, in which Ms. Yang Huiyan beneficially owns the entire issued share capital.

(2) The relevant interests are unlisted physically settled options granted pursuant to the 2007 Share Option Scheme (as defined below) and 2017 Share Option Scheme (as defined below). Upon exercise of the share options in accordance with the 2007 Share Option Scheme and 2017 Share Option Scheme, ordinary shares of HK$0.10 each in the share capital of our Company are issuable. The share options are personal to the respective directors. Further details of the share options are set out in the ''Share option schemes'' below.

(3) These shares represent shares held by Ms. Liu Qing who is the spouse of Mr. Su Baiyuan.

(4) These shares represent shares held by Ms. Yang Huiyan who is the spouse of Mr. Chen Chong.

(5) These debentures include US$5 million of the 2022 Notes, US$5 million of the January 2023 Notes, US$5 million of the January 2025 Notes, US$60 million of the January 2024 Notes, US$300 million of the April 2026 Notes, US$80 million of the September 2025 Notes, US$80 million of the January 2030 Notes and US$50 million of the May 2025 Notes, all held by Fine Nation Group Limited in which Mr. Yeung Kwok Keung beneficially owns the entire issued share capital.

(6) These debentures include US$2 million of the January 2024 Notes, US$4 million of the April 2024 Notes, US$10 million of the September 2025 Notes, US$2 million of the January 2027 Notes, US$2 million of the January 2030 Notes, US$5 million of the May 2025 Notes and US$5 million of the January 2031 Notes.

(7) These debentures include US$5 million of the April 2026 Notes, US$10 million of the January 2030 Notes and US$3 million of the May 2025 Notes, all held by Shiny Dragon Assets Limited in which Ms. Yang Ziying beneficially owns the entire issued share capital.

Employee incentive scheme

We have set up an employee incentive scheme (the ''Employee Incentive Scheme''). The trust deed in respect of the Employee Incentive Scheme for rewarding the contribution of our senior management and employees which excludes any of our connected persons together with the scheme rules were approved by our board. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in us so as to motivate such participants and to enhance their performance and efficiency. The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited, a wholly-owned subsidiary of the Company. During the six months ended 30 June 2021, share awards for 27,117,653 shares of our Company were granted under the Employee Incentive Scheme subject to completion of registration and transfer procedures pursuant to the terms of the Employee Incentive Scheme. As of 30 June 2021, the total number of Shares in relation to share awards that were granted under the Employee Incentive Scheme was 183,196,539 shares of our Company (being the net number after deduction of the exercised and lapsed share awards). As of 30 June 2021, the cumulative total number of shares of our Company held by Power Great Enterprises Limited under the Employee Incentive Scheme was 275,183,928 shares of our Company (including shares which had been granted to relevant employees with the registration and transfer procedures yet to be completed) (compared to 281,926,904 shares as of 31 December 2020).

Our board will continue to monitor the Employee Incentive Scheme for motivating our senior management and employees and consider when it may be appropriate and/or desirable to modify or replace the Employee Incentive Scheme with and/or adopt any other incentive scheme.

Share option schemes

On 20 March 2007, a share option scheme (the ''2007 Share Option Scheme'') was approved and adopted by the then shareholders for a period of 10 years commencing on the adoption date. The 2007 Share Option Scheme expired on 19 March 2017.

In view of the expiry of the 2007 Share Option Scheme, a new share option scheme (the ''2017 Share Option Scheme'') was approved and adopted by our shareholders at the annual general meeting of our Company held on 18 May 2017 for a period of 10 years commencing on the adoption date and ending on 17 May 2027. Subject to the terms and conditions of the 2017 Share Option Scheme, our board may, at its discretion, grant share options to any eligible person to subscribe for the shares within the validity period of the scheme.

During the six months ended 30 June 2021, share options for 20,199,633 shares of our Company were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.

(a) During the six months ended 30 June 2021, details of movements in the share options under the 2007 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2021	Options to subscribe for Shares: Granted during the period(1)	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2021	Exercise price per share HK$	Date of grant	Exercisable period
Directors									
Mr. Yang Zhicheng	1,515,933	—	—	—	—	1,515,933	4.773	13.12.2013	13.12.2018–12.12.2023
	1,509,074	—	817,366[2]	—	—	691,708	3.332	16.03.2016	16.03.2021–15.03.2026
	525,597	—	—	—	—	525,597	3.106	11.05.2016	11.05.2021–10.05.2026
	449,031	—	—	—	—	449,031	3.740	19.08.2016	19.08.2021–18.08.2026
Mr. Song Jun	736,487	—	108,310[2]	—	—	628,177	3.332	16.03.2016	16.03.2021–15.03.2026
	1,074,264	—	—	—	—	1,074,264	3.106	11.05.2016	11.05.2021–10.05.2026
	816,050	—	—	—	—	816,050	3.740	19.08.2016	19.08.2021–18.08.2026
Sub-total	6,626,436	—	925,676	—	—	5,700,760			
Employees	261,248	—	—	—	—	261,248	4.773	13.12.2013	13.12.2018–12.12.2023
Sub-total	261,248	—	—	—	—	261,248			
Other participant(3)	186,342	—	—	—	—	186,342	3.332	16.03.2016	16.03.2021–15.03.2026
Sub-total	186,342	—	—	—	—	186,342			
Total	7,074,026	—	925,676	—	—	6,148,350			

Notes:

(1) During the six months ended 30 June 2021, no share options were granted by the Company in accordance with the terms of the 2007 Share Option Scheme.

(2) The weighted average closing price of these shares of the Company immediately before 16 April 2021 (the date on which the relevant share options were exercised) was HK$9.69.

(3) The ''other participant'' is a former Director.

(b) During the six months ended 30 June 2021, details of movements in the share options under the 2017 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2021	Options to subscribe for Shares: Granted during the period[(1)]	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2021	Exercise price per share HK$	Date of grant[(2)]	Exercisable period
Directors									
Mr. Mo Bin.	—	11,698,466	11,698,466[3]	—	—	—	9.730	26.03.2021	26.03.2021–25.03.2031
Mr. Yang Zhicheng	484,454	—	—	—	—	484,454	8.250	22.05.2017	22.05.2022–21.05.2027
	495,084	—	—	—	—	495,084	10.100	24.08.2017	24.08.2022–23.08.2027
	205,255	—	—	—	—	205,255	12.980	08.12.2017	08.12.2022–07.12.2027
	434,145	—	—	—	—	434,145	9.654	06.12.2018	06.12.2023–05.12.2028
	348,158	—	—	—	—	348,158	12.044	25.03.2019	25.03.2024–24.03.2029
	429,995	—	—	—	—	429,995	12.408	09.05.2019	09.05.2024–08.05.2029
	744,899	—	—	—	—	744,899	9.834	23.08.2019	23.08.2024–22.08.2029
	432,848	—	—	—	—	432,848	11.092	05.12.2019	05.12.2024–04.12.2029
	237,303	—	—	—	—	237,303	10.040	12.05.2020	12.05.2025–11.05.2030
	189,361	—	—	—	—	189,361	10.160	24.07.2020	24.07.2025–23.07.2030
	248,853	—	—	—	—	248,853	10.332	03.12.2020	03.12.2025–02.12.2030
	—	644,397	—	—	—	644,397	9.730	26.03.2021	26.03.2026–25.03.2031
Mr. Song Jun.	1,157,991	—	—	—	—	1,157,991	8.250	22.05.2017	22.05.2022–21.05.2027
	483,325	—	—	—	—	483,325	10.100	24.08.2017	24.08.2022–23.08.2027
	454,562	—	—	—	—	454,562	12.980	08.12.2017	08.12.2022–07.12.2027
	421,667	—	—	—	—	421,667	16.460	21.03.2018	21.03.2023–20.03.2028
	258,092	—	—	—	—	258,092	16.280	10.05.2018	10.05.2023–09.05.2028
	202,300	—	—	—	—	202,300	12.240	22.08.2018	22.08.2023–21.08.2028
	185,762	—	—	—	—	185,762	9.654	06.12.2018	06.12.2023–05.12.2028
	66,723	—	—	—	—	66,723	12.044	25.03.2019	25.03.2024–24.03.2029
	294,537	—	—	—	—	294,537	9.834	23.08.2019	23.08.2024–22.08.2029
	206,292	—	—	—	—	206,292	11.092	05.12.2019	05.12.2024–04.12.2029
	109,619	—	—	—	—	109,619	10.040	12.05.2020	12.05.2025–11.05.2030
	291,254	—	—	—	—	291,254	10.160	24.07.2020	24.07.2025–23.07.2030
	130,535	—	—	—	—	130,535	10.332	03.12.2020	03.12.2025–02.12.2030
Mr. Su Baiyuan	1,135,435	—	—	—	—	1,135,435	8.250	22.05.2017	22.05.2022–21.05.2027
	526,868	—	—	—	—	526,868	16.460	21.03.2018	21.03.2023–20.03.2028
	320,165	—	—	—	—	320,165	12.408	09.05.2019	09.05.2024–08.05.2029
	176,545	—	—	—	—	176,545	10.040	12.05.2020	12.05.2025–11.05.2030
	—	901,113	—	—	—	901,113	9.730	26.03.2021	26.03.2026–25.03.2031
Sub-total	10,672,027	13,243,976	11,698,466	—	—	12,217,537			
Employees	—	6,955,657	—	—	—	6,955,657	9.600	08.06.2021	08.06.2021–07.06.2031
Sub-total	—	6,955,657	—	—	—	6,955,657			
Other participant[5]	117,526	—	—	—	—	117,526	8.250	22.05.2017	22.05.2022–21.05.2027
Sub-total	117,526	—	—	—	—	117,526			
Total.	10,789,553	20,199,633	11,698,466	—	—	19,290,720			

Notes:

1. During the six months ended 30 June 2021, share options of 20,199,633 shares of our Company were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.
2. The closing price of the shares of our Company immediately before the date of grant of 26 March 2021 and 8 June 2021 was HK$9.00 and HK$9.35 respectively.
3. The weighted average closing price of these shares of our Company immediately before 12 April 2021 (the date on which the relevant share options were exercised) was HK$9.83.
4. The total value of the share options granted under the 2017 Share Option Scheme are not fully recognised in the financial statements of the Company until they are vested. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the period, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.
5. The ''other participant'' is a former Director.

Principal shareholders

As of the date of this Offering Circular, according to the register kept by our Company under Section 336 of the SFO, the following companies and persons, other than the directors and chief executive of our Company, had long positions of 5% or more in the shares and the underlying shares of our Company which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of ordinary shares held	Percentage of total issued shares(1) as of the date of this Offering Circular
Concrete Win Limited	Beneficial Owner	14,179,076,995(2)	61.25%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation	1,797,751,000(3)	7.76%(3)
Ping An Life Insurance Company of China, Ltd.	Beneficial Owner	1,797,751,000(3)(4)	7.76%(3)(4)

Notes:

(1) As of the date of this Offering Circular, the total number of the issued shares of the Company is 23,148,390,946 shares.

(2) These shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.

(3) Ping An Insurance (Group) Company of China, Ltd. is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 2318) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318). Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 1,797,751,000 shares of our Company (held and managed by its indirectly wholly owned subsidiary, Ping An of China Asset Management (Hong Kong) Company Limited as investment manager), which were beneficially owned by its 99.51% owned subsidiary, Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary shares held is made pursuant to the last Disclosure of Interests notice as of the date of this Offering Circular (date of relevant date: 12 August 2021).

(4) These shares are beneficially owned by Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary shares held is made pursuant to the last Disclosure of Interests notice as of the date of this Offering Circular (date of relevant date: 12 August 2021).

Save as disclosed above, our Company has not been notified by any other person (other than the directors and chief executive of our Company) who had an interest or short position of 5% or more in the shares and underlying shares of our Company as of the date of this Offering Circular which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO.

Description of the Shares

Set out below is certain selected information concerning the Company's share capital and certain provisions of its memorandum and articles. This summary does not purport to be complete and is qualified in its entirety by reference to the memorandum and the articles.

The table below sets out the Company's authorised and issued share capital in issue as of the date of this Offering Circular:

	Number of shares	Aggregate amount of nominal share capital (HK$)
Authorised: Ordinary Shares	100,000,000,000	10,000,000,000
Ordinary shares in issue	23,148,390,946	2,314,839,095

Meetings

An annual general meeting shall be called by at least twenty-one (21) clear days' and not less than twenty (20) clear business days' notice in writing, and all other general meetings (including an extraordinary general meeting) shall be called by at least fourteen (14) clear days' and not less than ten (10) clear business days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the board of directors of the Company pursuant to the provision of the Articles, the principal place of the meeting, (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting (which electronic platform may vary from time to time and from meeting to meeting as the board of directors of the Company, in its sole discretion, may see fit) or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the directors and auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent of the total voting rights at the meeting of all members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(i) the declaration and sanctioning of dividends;

(ii) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors and other documents required to be annexed to the balance sheet;

(iii) the election of directors whether by rotation or otherwise in place of those retiring;

(iv) the appointment of auditors and other officers; and

(v) the fixing of the remuneration of the directors and of the auditors.

Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Where a show of hands is allowed, before or on the declaration of the results of the show of hands, a poll may be demanded by (i) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Variation of Rights of Existing Shares or Classes of Shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum.

Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board of directors of the Company may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board of directors of the Company may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board of directors of the Company may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board of directors of the Company may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board of directors of the Company in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board of directors of the Company otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Act.

The board of directors of the Company may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board of directors of the Company may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board of directors of the Company may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the members by ordinary resolution provided that such period shall not be extended beyond sixty (60) days in any year.

Share Repurchase

The Company is empowered by the Companies Act and the Articles to purchase its own Shares subject to certain restrictions and the board of directors of the Company may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

Dividends and Other Methods of Distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board of directors of the Company or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board of directors of the Company may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board of directors of the Company may think fit. The Company may also upon the recommendation of the board of directors of the Company by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to member to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board of directors of the Company or the Company in general meeting has resolved that a dividend be paid or declared the board of directors of the Company may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board of directors of the Company for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be confiscated by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

Inspection of Corporate Records

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board of directors of the Company, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board of directors of the Company, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

Protection of Minorities and Shareholders' Suits

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Cayman Islands court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Cayman Islands court shall direct.

Any shareholder of a company may petition the Cayman Islands court which may make a winding up order if the Cayman Islands court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Cayman Islands court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

Procedures on Liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Related party transactions

The following discussion describes certain material related party transactions in the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, between our consolidated subsidiaries and our directors, executive officers, original shareholders and associates and, in each case, the companies with which they are affiliated.

The following table summarizes our related party transactions for the years indicated:

(in millions)	For the year ended 31 December 2018	2019	2020	2020	Six months ended 30 June 2020	2021	2021
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Construction service income							
Controlled by certain shareholders, certain directors and/or their close family members	81	8	41	6	41	9	1
Associates	2,197	2,599	1,997	309	907	655	101
Joint ventures	2,008	3,696	6,863	1,063	2,334	4,138	641
Subtotal	4,286	6,303	8,901	1,379	3,282	4,802	744
Sales of properties							
Controlled by certain shareholders, certain directors and/or their close family members	1,686	—	—	—	—	—	—
Joint ventures	—	—	—	—	—	—	—
Subtotal	1,686	—	—	—	—	—	—
Purchase of design service							
Controlled by certain shareholders, certain directors and/or their close family members	4,464	2,950	3,333	516	1,460	2,249	348
Subtotal	4,464	2,950	3,333	516	1,460	2,249	348
Provision of guarantee in respect of borrowings							
Associates	24,229	23,639	12,876	1,994	16,186	8,054	1,247
Joint ventures	32,969	48,570	51,632	7,997	52,618	52,157	8,078
Subtotal	57,198	72,209	64,508	9,991	68,804	60,211	9,325
Purchase of property management services, consultancy, other services and other transactions							
Controlled by certain shareholders, certain directors and/or their close family members	753	1,575	2,197	340	880	1,176	182
Associates	407	1,517	1,384	214	595	767	119
Joint ventures	789	1,261	2,339	362	471	673	104
Subtotal	1,949	4,353	5,920	917	1,946	2,616	405
Key management compensation	274	338	288	45	149	159	25

As of 31 December 2018, 2019 and 2020 and 30 June 2021, we had the following significant balances with our related parties:

(in millions)	As of 31 December				As of 30 June	
	2018	2019	2020	2020	2021	
	(RMB)	(RMB)	(RMB)	(US$) (unaudited)	(RMB) (unaudited)	(US$) (unaudited)
Balances due from related parties						
Included in trade and other receivables (including loans to related parties)						
Controlled by certain shareholders, certain directors and/or their close family members	2,435	2,910	2,214	343	2,092	324
Associates	33,446	27,056	22,647	3,508	21,004	3,253
Joint ventures	51,446	91,351	82,408	12,763	70,389	10,902
Subtotal	87,327	121,317	107,269	16,614	93,485	14,479
Balances due to related parties						
Included in trade and other payables						
Controlled by certain shareholders, certain directors and/or their close family members	3,248	3,628	3,856	597	4,695	727
Associates	27,388	24,050	25,251	3,911	21,665	3,355
Joint ventures	34,903	51,001	57,607	8,922	57,894	8,967
Subtotal	65,539	78,679	86,714	13,430	84,254	13,049
Balances due from related parties						
Included in contract assets and contract acquisition costs						
Controlled by certain shareholders, certain directors and/or their close family members	48	52	39	6	20	3
Associates	895	1,285	1,039	161	1,033	160
Joint ventures	910	1,911	3,158	489	3,554	550
Subtotal	1,853	3,248	4,236	656	4,607	714

Description of other material indebtedness

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks. As of 30 June 2021, our total borrowings (including bank and other borrowings, the January 2025 Notes, the 2023 Convertible Bond, the January 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2022 Notes, the January 2024 Notes, the April 2024 Notes, the April 2026 Notes, the September 2025 Notes, the January 2027 Notes, the January 2030 Notes, the May 2025 Notes, the October 2025 Notes, the January 2026 Notes and the October 2030 Notes and other permitted *pari passu* indebtedness and corporate bonds) totaled RMB324,235 million (US$50,218 million). We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

PRC project loan agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily including but not limited to Bank of China, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, the Bank of East Asia, Hang Seng Bank, Bank of Communications, Industrial Bank, China Everbright Bank, China Citic Bank, Shunde Rural Commercial Bank, China Merchants Bank, SPD Bank, China Zheshang Bank, China Minsheng Bank, Postal Savings Bank of China and Guangdong Development Bank. These loans typically are project loans to finance the construction of our projects (the ''project loans'') and have terms ranging from one year to ten years, which generally correspond to the construction periods of the particular projects.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating or fixed rates calculated by reference to the relevant bank's benchmark interest rate per annum which in turn is generally linked to PBOC-published rates. Floating interest rates generally are subject to review by the banks annually or quarterly. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

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

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;

- grant guarantees to any third parties that may adversely affect their ability to repay their loans;

- make any major changes to their corporate structures or business operation model, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;

- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Dividend restriction

Pursuant to these project loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;
- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid or before obtaining written consent from the lender.

Guarantee and security

Most of our PRC subsidiaries and associates have entered into guarantee agreements, mortgage contracts or pledge contracts, or a combination of them, with the PRC banks in connection with most of the project loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers or have provided security, such as land use rights and equity of the project companies, under these project loans.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of 30 June 2021, the aggregate outstanding amount guaranteed was RMB393,847 million (US$60,999 million).

2026 Notes

On 15 December 2016, we entered into an indenture (the ''2026 Indenture'') pursuant to which we issued an aggregate principal amount of US$350,000,000 5.625% Senior Notes due 2026 (the ''2026 Notes'').

Guarantee

The obligations pursuant to the 2026 Notes are guaranteed by certain subsidiaries of the Company (the ''2026 Subsidiary Guarantors''). Each of the 2026 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2026 Notes and the 2026 Indenture.

Collateral

The 2026 Notes and the subsidiary guarantees provided by the 2026 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The 2026 Notes bear an interest rate of 5.625% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2026 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2026 Notes when such payments become due, default in payment of interest which continues for 30 days, the failure by us to consummate the repurchase of the 2026 Notes in respect of which holders have exercised their put options pursuant to the 2026 Indenture and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding 2026 Notes may, and the trustee under the 2026 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2026 Notes is 15 December 2026.

At any time prior to 15 December 2026, we may 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 a premium and any accrued and unpaid interest to the redemption date.

At any time prior to 15 December 2026, we may redeem up to 35% of the aggregate principal amount of the 2026 Notes at a redemption price equal to 105.625% of the principal amount of the 2026 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2026 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2026 Subsidiary Guarantor under the 2026 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2026 Notes at a redemption price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Repurchase of the 2026 Notes at the option of the holders

Holders of the 2026 Notes may, at their option, require us to repurchase for cash all of their 2026 Notes, or any portion thereof that is in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof, on 15 December 2021, at the repurchase price equal to 100% of the principal amount of such 2026 Notes to be repurchased, plus accrued and unpaid interest, if any, to (but not including) 15 December 2021.

2022 Notes

On 25 July 2017, we entered into an indenture (the ''2022 Indenture'') pursuant to which we issued an aggregate principal amount of US$600,000,000 4.75% Senior Notes due 2022 (the ''2022 Notes''). On 16 August 2017, we issued an additional US$100,000,000 2022 Notes.

Guarantee

The obligations pursuant to the 2022 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes (the ''2022 Subsidiary Guarantors''). Each of the 2022 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2022 Notes and the 2022 Indenture.

Collateral

The 2022 Notes and the subsidiary guarantees provided by the 2022 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The 2022 Notes bear an interest rate of 4.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and

- effecting a consolidation or merger.

Events of default

The 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2022 Notes when such payments become due, default in payment of interest which continues for 30 days, the failure by us to consummate the repurchase of the 2022 Notes in respect of which holders have exercised their put options pursuant to the 2022 Indenture and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding 2022 may declare the principal of the 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2022 Notes is 25 July 2022.

At any time and from time to time on or after 25 July 2020 we may redeem the 2022 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on 25 July of each of the years indicated below:

Period	**Redemption Price**
2020	102.375%
2021	101.188%

At any time prior to 25 July 2020, the we may redeem the 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 Notes plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to 25 July 2020 we may redeem up to 35% of the aggregate principal amount of the 2022 Notes at a redemption price of 104.75% equal to the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2022 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2022 Subsidiary Guarantor under the 2022 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2022 Notes at a redemption price equal to 100% of the principal amount of the 2022 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

January 2023 Notes

On 17 January 2018, we entered into an indenture (the ''January 2023 Indenture'') pursuant to which we have issued an aggregate principal amount of US$625,000,000 4.750% Senior Notes due 2023 (the ''January 2023 Notes''), US$250,000,000 aggregate principal amount was issued on 17 January 2018, and an additional US$375,000,000 aggregate principal amount was issued on 31 July 2018.

Guarantee

The obligations pursuant to the January 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes (the ''January 2023 Subsidiary Guarantors''). Each of the January 2023 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2023 Notes and the January 2023 Indenture.

Collateral

The January 2023 Notes and the subsidiary guarantees provided by the January 2023 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2023 Notes bear an interest rate of 4.750% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;

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

Events of default

The January 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2023 Notes may, and the trustee under the January 2023 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2023 Notes is 17 January 2023.

At any time and from time to time on or after 17 January 2021, the Company may redeem the January 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 17 January of each of the years indicated below.

Period	**Redemption Price**
2021	102.3750%
2022	101.1875%

At any time prior to 17 January 2021, the Company may at its option redeem the January 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2023 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 17 January 2021, the Company may redeem up to 35% of the aggregate principal amount of the January 2023 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 104.750% of the principal amount of the January 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 January 2023 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2025 Notes

On 17 January 2018, we entered into an indenture (the ''January 2025 Indenture'') pursuant to which we issued an aggregate principal amount of US$750,000,000 5.125% Senior Notes due 2025 (the ''January 2025 Notes''). US$600,000,000 aggregate principal amount was issued on 17 January 2018 and US$150,000,000 was issued on 4 September 2018.

Guarantee

The obligations pursuant to the January 2025 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes (the ''January 2025 Subsidiary Guarantors''). Each of the January 2025 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2025 Notes and the January 2025 Indenture.

Collateral

The January 2025 Notes and the subsidiary guarantees provided by the January 2025 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2025 Notes bear an interest rate of 5.125% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2025 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;

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

Events of default

The January 2025 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2025 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2025 Notes may, and the trustee under the January 2025 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2025 Notes is 17 January 2025.

At any time and from time to time on or after 17 January 2022, the Company may redeem the January 2025 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on 17 January of each of the years indicated below.

Period	Redemption Price
2022	102.56250%
2023	101.28125%
2024 and thereafter	100.00000%

At any time prior to 17 January 2022, the Company may at its option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2025 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 17 January 2022, the Company may redeem up to 35% of the aggregate principal amount of the January 2025 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the principal amount of the January 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 January 2025 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2022 Notes

On 27 September 2018, we entered into an indenture (the ''January 2022 Indenture'') pursuant to which we have issued an aggregate principal amount of US$425,000,000 7.125% Senior Notes due 2022 (the ''January 2022 Notes'').

Guarantee

The obligations pursuant to the January 2022 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes, the January 2023 Notes, the January 2025 Notes and the January 2024 Notes (the ''January 2022 Subsidiary Guarantors''). Each of the January 2022 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2022 Notes and the January 2022 Indenture.

Collateral

The January 2022 Notes and the subsidiary guarantees provided by the January 2022 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2022 Notes bear an interest rate of 7.125% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;

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

Events of default

The January 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2022 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2022 Notes may, and the trustee under the January 2022 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2022 Notes is 27 January 2022. At any time and from time to time on or after 27 September 2020, the Company may redeem the January 2022 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed beginning on 27 September 2020 as indicated below.

Period	**Redemption Price**
2020 and thereafter	103.56250%

At any time prior to 27 September 2020, the Company may at its option redeem the January 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2022 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in ''Description of the January 2022 Notes—Optional Redemption.''

At any time and from time to time prior to 27 September 2020, the Company may redeem up to 35% of the aggregate principal amount of the January 2022 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.125% of the principal amount of the January 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 January 2022 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2024 Notes

On 27 September 2018, we entered into an indenture (the ''January 2024 Indenture'') pursuant to which we have issued an aggregate principal amount of US$1,000,000,000 8.000% Senior Notes due 2024 (the ''January 2024 Notes''), US$550,000,000 aggregate principal amount was issued on 27 September 2018 and US$450,000,000 was issued on 17 January 2019.

Guarantee

The obligations pursuant to the January 2024 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes, the January 2023 Notes, the January 2025 Notes and the January 2022 Notes (the ''January 2024 Subsidiary Guarantors''). Each of the January 2024 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2024 Notes and the January 2024 Indenture.

Collateral

The January 2024 Notes and the subsidiary guarantees provided by the January 2024 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2024 Notes bear an interest rate of 8.000% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2024 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;

- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

Events of default

The January 2024 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2024 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2024 Notes may, and the trustee under the January 2024 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2024 Notes is 27 January 2024. At any time and from time to time on or after 27 September 2021, the Company may redeem the January 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on September 27 of each of the years indicated below.

Period	Redemption Price
2021	104.00000%
2022 and thereafter	102.00000%

At any time prior to 27 September 2021, the Company may at its option redeem the January 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2024 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in ''Description of the January 2024 Notes—Optional Redemption.''

At any time and from time to time prior to 27 September 2021, the Company may redeem up to 35% of the aggregate principal amount of the January 2024 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.000% of the principal amount of the January 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 January 2024 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

April 2024 Notes

On 8 April 2019, we entered into an indenture (the ''April 2024 Indenture'') pursuant to which we issued an aggregate principal amount of US$550,000,000 6.50% Senior Notes due 2024 (the ''April 2024 Notes'').

Guarantee

The obligations pursuant to the April 2024 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''April 2024 Subsidiary Guarantors''). Each of the April 2024 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the April 2024 Notes and the April 2024 Indenture.

Collateral

The April 2024 Notes and the subsidiary guarantees provided by the April 2024 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''–2023 Convertible Bonds-Collateral.''

Interest

The April 2024 Notes bear an interest rate of 6.50% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the April 2024 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

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

Events of default

The April 2024 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the April 2024 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding April 2024 Notes may, and the trustee under the April 2024 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the April 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding April 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the April 2024 Notes is 8 April 2024.

At any time and from time to time on or after 8 April 2022, the Company may redeem the April 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 8 April of each of the years indicated below.

Period	Redemption Price
2022	103.25%
2023	101.625%
2024	100.0%

At any time prior to 8 April 2022, the Company may at its option redeem the April 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 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 prior to 8 April 2022, the Company may redeem up to 35% of the aggregate principal amount of the April 2024 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.5% of the principal amount of the April 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 April 2024 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

April 2026 Notes

On 8 April 2019, we entered into an indenture (the ''April 2026 Indenture'') pursuant to which we issued an aggregate principal amount of US$1,350,000,000 7.25% Senior Notes due 2026 (the ''April 2026 Notes''), US$950,000,000 aggregate principal amount was issued on 8 April 2019 and US$400,000,000 was issued on 18 July 2019.

Guarantee

The obligations pursuant to the April 2026 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''April 2026 Subsidiary Guarantors''). Each of the April 2026 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the April 2026 Notes and the April 2026 Indenture.

Collateral

The April 2026 Notes and the subsidiary guarantees provided by the April 2026 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The April 2026 Notes bear an interest rate of 7.25% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the April 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

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

Events of default

The April 2026 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the April 2026 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding April 2026 Notes may, and the trustee under the April 2026 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the April 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding April 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the April 2026 Notes is 8 April 2026.

At any time and from time to time on or after 8 April 2023, the Company may redeem the 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 8 April of each of the years indicated below.

Period	**Redemption Price**
2023	103.625%
2024	101.8125%
2025 and thereafter	100.0%

At any time prior to 8 April 2023, the Company may at its option redeem the April 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 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 prior to 8 April 2023, the Company may redeem up to 35% of the aggregate principal amount of the April 2026 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.25% of the principal amount of the April 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 April 2026 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

September 2025 Notes

On 17 September 2019, we entered into an indenture (the ''September 2025 Indenture'') pursuant to which we issued an aggregate principal amount of US$500,000,000 6.15% Senior Notes due 2025 (the ''September 2025 Notes'').

Guarantee

The obligations pursuant to the September 2025 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''September 2025 Subsidiary Guarantors''). Each of the September 2025 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the September 2025 Notes and the September 2025 Indenture.

Collateral

The September 2025 Notes and the subsidiary guarantees provided by the September 2025 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The September 2025 Notes bear an interest rate of 6.15% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the September 2025 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

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

Events of default

The September 2025 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the September 2025 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding September 2025 Notes may, and the trustee under the September 2025 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the September 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding September 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the September 2025 Notes is 17 September 2025.

At any time and from time to time on or after 17 September 2023, the Company may redeem the 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 17 September of each of the years indicated below.

Period	**Redemption Price**
2023	103.075%
2024	101.5375%
2025 and thereafter	100.0%

At any time prior to 17 September 2023, the Company may at its option redeem the September 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the September 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 prior to 17 September 2023, the Company may redeem up to 35% of the aggregate principal amount of the September 2025 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.15% of the principal amount of the September 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 September 2025 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2027 Notes

On 14 January 2020, we entered into an indenture (the ''January 2027 Indenture'') pursuant to which we issued an aggregate principal amount of US$550,000,000 5.125% Senior Notes due 2027 (the ''January 2027 Notes'').

Guarantee

The obligations pursuant to the January 2027 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''January 2027 Subsidiary Guarantors''). Each of the January 2027 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2027 Notes and the January 2027 Indenture.

Collateral

The January 2027 Notes and the subsidiary guarantees provided by the January 2027 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2027 Notes bear an interest rate of 5.125% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2027 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and

- effect a consolidation or merger.

Events of default

The January 2027 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2027 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2027 Notes may, and the trustee under the January 2027 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2027 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2027 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2027 Notes is 14 January 2027.

At any time and from time to time on or after 14 January 2024, the Company may redeem the January 2027 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 14 January of each of the years indicated below.

Period	Redemption Price
2024	102.5625%
2025	101.28125%
2026 and thereafter	100%

At any time prior to 14 January 2024, the Company may at its option redeem the January 2027 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2027 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 14 January 2024, the Company may redeem up to 35% of the aggregate principal amount of the January 2027 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the principal amount of the January 2027 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 January 2027 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2030 Notes

On 14 January 2020, we entered into an indenture (the ''January 2030 Indenture'') pursuant to which we issued an aggregate principal amount of US$450,000,000 5.625% Senior Notes due 2030 (the ''January 2030 Notes'').

Guarantee

The obligations pursuant to the January 2030 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''January 2030 Subsidiary Guarantors''). Each of the January 2030 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2030 Notes and the January 2030 Indenture.

Collateral

The January 2030 Notes and the subsidiary guarantees provided by the January 2030 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2030 Notes bear an interest rate of 5.625% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2030 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

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

Events of default

The January 2030 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2030 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2030 Notes may, and the trustee under the January 2030 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2030 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2030 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2030 Notes is 14 January 2030.

At any time and from time to time on or after 14 January 2025, the Company may redeem the January 2030 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 14 January of each of the years indicated below.

Period	**Redemption Price**
2025	102.8125%
2026	101.40625%
2027	100.703125%
2028 and thereafter	100%

At any time prior to 14 January 2030, the Company may at its option redeem the January 2030 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2030 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 14 January 2025, the Company may redeem up to 35% of the aggregate principal amount of the January 2030 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.625% of the principal amount of the January 2030 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 January 2030 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

May 2025 Notes

On 27 May 2020, we entered into an indenture (the ''May 2025 Indenture'') pursuant to which we issued an aggregate principal amount of US$544,000,000 5.4% Senior Notes due 2025 (the ''May 2025 Notes'').

Guarantee

The obligations pursuant to the May 2025 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''May 2025 Subsidiary Guarantors''). Each of the May 2025 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the May 2025 Notes and the May 2025 Indenture.

Collateral

The May 2025 Notes and the subsidiary guarantees provided by the May 2025 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The May 2025 Notes bear an interest rate of 5.4% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the May 2025 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

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

Events of default

The May 2025 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the May 2025 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding May 2025 Notes may, and the trustee under the May 2025 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the May 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding May 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the May 2025 Notes is 27 May 2025.

At any time and from time to time on or after 27 May 2023, the Company may redeem the 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 27 May of each of the years indicated below.

Period	Redemption Price
2023	102.7%
2024 and thereafter	101.35%

At any time prior to 27 May 2023, the Company may at its option redeem the May 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the May 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 prior to 27 May 2023, the Company may redeem up to 35% of the aggregate principal amount of the May 2025 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.4% of the principal amount of the May 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 May 2025 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

February 2026 Notes

On 6 August 2020, we entered into an indenture (the ''February 2026 Indenture'') pursuant to which we issued an aggregate principal amount of US$500,000,000 4.2% Senior Notes due 2026 (the ''February 2026 Notes'').

Guarantee

The obligations pursuant to the February 2026 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''February 2026 Subsidiary Guarantors''). Each of the February 2026 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the February 2026 Notes and the February 2026 Indenture.

Collateral

The February 2026 Notes and the subsidiary guarantees provided by the February 2026 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The February 2026 Notes bear an interest rate of 4.2% per annum. Interest is payable semi-annually in arrears.

Covenants

- Subject to certain conditions and exceptions, the February 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;

- declare dividends on its capital stock or purchase or redeem capital stock;

- make investments or other specified restricted payments;

- issue or sell capital stock of Restricted Subsidiaries;

- guarantee indebtedness of Restricted Subsidiaries;

- sell assets;

- create liens;

- enter into sale and leaseback transactions;

- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and

- effect a consolidation or merger.

Events of default

The February 2026 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the February 2026 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding February 2026 Notes may, and the trustee under the February 2026 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the February 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding February 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the February 2026 Notes is 6 February 2026.

At any time and from time to time on or after 6 February 2024, the Company may redeem the February 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 6 February of each of the years indicated below.

Period	**Redemption Price**
2024	102.1%
2025 and thereafter	101.05%

At any time prior to 6 February 2024, the Company may at its option redeem the February 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the February 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 prior to 6 February 2024, the Company may redeem up to 35% of the aggregate principal amount of the February 2026 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 104.2% of the principal amount of the February 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 February 2026 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

August 2030 Notes

On 6 August 2020, we entered into an indenture (the ''August 2030 Indenture'') pursuant to which we issued an aggregate principal amount of US$500,000,000 4.8% Senior Notes due 2030 (the ''August 2030 Notes'').

Guarantee

The obligations pursuant to the August 2030 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''August 2030 Subsidiary Guarantors''). Each of the August 2030 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the August 2030 Notes and the August 2030 Indenture.

Collateral

The August 2030 Notes and the subsidiary guarantees provided by the August 2030 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The August 2030 Notes bear an interest rate of 4.8% per annum. Interest is payable semi-annually in arrears.

Covenants

- Subject to certain conditions and exceptions, the August 2030 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:
- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and

- effect a consolidation or merger.

Events of default

The August 2030 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the August 2030 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding August 2030 Notes may, and the trustee under the August 2030 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the August 2030 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding August 2030 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the August 2030 Notes is 6 August 2030.

At any time and from time to time on or after 6 August 2025, the Company may redeem the August 2030 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 to (but not including) the redemption date if redeemed during the twelve month period beginning on 6 August of each of the years indicated below.

Period	**Redemption Price**
2025	102.4%
2026	101.2%
2027	100.6%
2028 and thereafter	100%

At any time prior to 6 August 2025, the Company may at its option redeem the August 2030 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the February August 2030 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to 6 August 2025, the Company may redeem up to 35% of the aggregate principal amount of the August 2030 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 104.8% of the principal amount of the August 2030 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 August 2030 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

October 2025 Notes

On 22 October 2020, we entered into an indenture (the ''October 2025 Indenture'') pursuant to which we issued an aggregate principal amount of US$500,000,000 3.125% Senior Notes due 2025 (the ''October 2025 Notes''). On 18 May 2021, we issued additional October 2025 Notes in an aggregate principal amount of US$500 million.

Guarantee

The obligations pursuant to the October 2025 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''October 2025 Subsidiary Guarantors''). Each of the October 2025 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the October 2025 Notes and the October 2025 Indenture.

Collateral

The October 2025 Notes and the subsidiary guarantees provided by the October 2025 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The October 2025 Notes bear an interest rate of 3.125% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2025 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- create liens; and
- effect a consolidation or merger.

Events of default

The October 2025 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the October 2025 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding October 2025 Notes may, and the trustee under the October 2025 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the October 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding October 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the October 2025 Notes is 22 October 2025.

At any time, the Company may at its option redeem the October 2025 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the October 2025 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, the Company may redeem the October 2025 Notes at any time from or after the date falling one month prior to its maturity date, in whole or in part, at a redemption price equal to 100% of the principal amount of the October 2025 Notes to be redeemed plus, in each case, accrued and unpaid interest on the October 2025 Notes to be redeemed, if any, to, but not including, the applicable redemption date.

October 2030 Notes

On 22 October 2020, we entered into an indenture (the ''October 2030 Indenture'') pursuant to which we issued an aggregate principal amount of US$500,000,000 3.875% Senior Notes due 2030 (the ''October 2030 Notes'').

Guarantee

The obligations pursuant to the October 2030 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''October 2030 Subsidiary Guarantors''). Each of the October 2030 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the October 2030 Notes and the October 2030 Indenture.

Collateral

The October 2030 Notes and the subsidiary guarantees provided by the October 2030 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The October 2030 Notes bear an interest rate of 3.875% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2030 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- create liens; and
- effect a consolidation or merger.

Events of default

The October 2030 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the October 2030 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding October 2030 Notes may, and the trustee under the October 2030 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the October 2030 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding October 2030 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the October 2030 Notes is 22 October 2030.

At any time, the Company may at its option redeem the October 2030 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the October 2030 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, the Company may redeem the October 2030 Notes at any time from or after the date falling three months prior to its maturity date, in whole or in part, at a redemption price equal to 100% of the principal amount of the October 2030 Notes to be redeemed plus, in each case, accrued and unpaid interest on the October 2030 Notes to be redeemed, if any, to, but not including, the applicable redemption date.

January 2026 Notes

On 12 January 2021, we entered into an indenture (the ''January 2026 Indenture'') pursuant to which we issued an aggregate principal amount of US$500,000,000 2.7% Senior Notes due 2026 (the ''January 2026 Notes''). On 20 July 2021, we issued additional January 2026 Notes in an aggregate principal amount of US$200 million.

Guarantee

The obligations pursuant to the January 2026 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''January 2026 Subsidiary Guarantors''). Each of the January 2026 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2026 Notes and the January 2026 Indenture.

Collateral

The January 2026 Notes and the subsidiary guarantees provided by the January 2026 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''— 2023 Convertible Bonds — Collateral.''

Interest

The January 2026 Notes bear an interest rate of 2.7% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- create liens; and
- effect a consolidation or merger.

Events of default

The January 2026 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2026 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the January 2026 Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2026 Notes may, and the trustee under the January 2026 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2026 Notes is 12 July 2026.

At any time, the Company may at its option redeem the January 2026 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the January 2026 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, the Company may redeem the January 2026 Notes at any time from or after the date falling three months prior to its maturity date, in whole or in part, at a redemption price equal to 100% of the principal amount of the January 2026 Notes to be redeemed plus, in each case, accrued and unpaid interest on the January 2026 Notes to be redeemed, if any, to, but not including, the applicable redemption date.

January 2031 Notes

On 12 January 2021, we entered into an indenture (the ''January 2031 Indenture'') pursuant to which we issued an aggregate principal amount of US$700,000,000 3.3% Senior Notes due 2031 (the ''January 2031 Notes'').

Guarantee

The obligations pursuant to the January 2031 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the Notes (the ''January 2031 Subsidiary Guarantors''). Each of the January 2031 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2031 Notes and the January 2031 Indenture.

Collateral

The January 2031 Notes and the subsidiary guarantees provided by the January 2031 Notes Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The January 2031 Notes bear an interest rate of 3.3% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2031 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- create liens; and

- effect a consolidation or merger.

Events of default

The January 2031 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2031 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2031 Notes may, and the trustee under the January 2031 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2031 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2031 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2031 Notes is 12 January 2031.

At any time, the Company may at its option redeem the January 2031 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the January 2031 Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, the Company may redeem the January 2031 Notes at any time from or after the date falling three months prior to its maturity date, in whole or in part, at a redemption price equal to 100% of the principal amount of the January 2031 Notes to be redeemed plus, in each case, accrued and unpaid interest on the January 2031 Notes to be redeemed, if any, to, but not including, the applicable redemption date.

2023 Convertible Bonds

On 5 December 2018, we entered into a trust deed (the ''2023 Trust Deed'') pursuant to which we issued an amount of HK$7,830,000,000 4.50%. secured guaranteed convertible bonds due 2023 (the ''2023 Convertible Bonds'').

Guarantee

The obligations pursuant to the 2023 Convertible Bonds are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes, the January 2023 Notes, the January 2025 Notes, the January 2022 Notes and the January 2024 Notes (the ''2023 Convertible Bond Subsidiary Guarantors''). Each of the 2023 Convertible Bond Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of all sums expressed to be payable by the Company under the 2023 Convertible Bonds and the 2023 Trust Deed.

Collateral

The capital stock of certain Convertible Bond Subsidiary Guarantors (the ''Shared Collateral'') is currently pledged to secure on a *pari passu* basis our obligations under the Existing Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indentures governing the Existing Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreements governing the 2018 Loan, the December 2018 Loan, the 2019 Club Loan, the 2020 Club Loan and the 2021 Club Loan, the GS Hedging Obligations, the DB Hedging Obligations, the 2023 Convertible Bonds and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the trust deed governing the 2023 Convertible Bonds, and other permitted *pari passu* indebtedness, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the holders of the 2023 Convertible bonds, the holders of the January 2024 Notes, the holders of the January 2022 Notes, the holders of the January 2025 Notes, the holders of the January 2023 Notes, the holder of the 2022 Notes, the holders of the 2026 Notes, the holders of the April 2024 Notes, the holders of the April 2026 Notes, the holders of the September 2025 Notes, the holders of the January 2027 Notes, the holders of the January 2030 Notes, the holders of the May 2025 Notes, the holders of the February 2026 Notes, the holders of the August 2030 Notes, the holders of the October 2025 Notes, the holders of the October 2030 Notes, the holders of the Original Notes, the holders of the January 2031 Notes, the lenders of the 2018 Loan, the lenders of the December 2018 Loan, the lenders of the 2019 Club Loan, the lenders of the 2020 Club Loan, the lender of the 2021 Club loan, Goldman Sachs International under the GS Guarantee and Deutsche Bank AG under the DB Guarantee, and creditors of other permitted pari passu indebtedness. 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 collateral 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 a supplement 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 Shared Collateral on a *pari passu* basis with the 2022 Notes, the 2026 Notes, the January 2023 Notes, the January 2025 Notes, the January 2022 Notes, the January 2024 Notes, the April 2024 Notes, the April 2026 Notes, the September 2025 Notes, the January 2027 Notes, the January 2030 Notes, the May 2025 Notes, the Original Notes, the January 2031 Notes, the 2023 Convertible Bonds and the subsidiary guarantees provided by the subsidiary guarantor pledgors relating to these securities, subject to the Intercreditor Agreement.

Interest

The Convertible Bonds bear an interest rate of 4.50% per annum.

Conversion

Subject to certain conditions, the 2023 Convertible Bonds are, at the option of the holders, convertible during the Initial Conversion Period and the Final Conversion Period. The price at which Shares will be issued upon conversion (the ''Conversion Price'') will initially be HK$12.584 per Share but will be subject to adjustment described in the terms and conditions relating to the 2023 Convertible Bonds.

Events of default

The 2023 Trust Deed contains certain customary events of default, including breach of general covenants described in the 2023 Trust Deed.

Maturity and redemption

The maturity date of the 2023 Convertible Bonds is 5 December 2023.

On giving not less than 30 nor more than 60 days' notice to the bondholders in accordance with 2023 Trust Deed and to the Trustee and Principal Agent (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Convertible Bonds on the date specified in the Optional Redemption Notice at the Early Redemption Amount as of such date, at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 (Further Issues) and consolidated and forming a single series therewith).

Domestic Corporate Bonds

Company Domestic Corporate Bonds

Our Company issued a series of domestic corporate bonds in 2015 and 2016 (the ''Company Domestic Corporate Bonds''), of which certain tranches had been fully repaid. Among the outstanding tranches, the fourth tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in September 2016 in the principal amount of RMB10,000,000,000, of which RMB5,830,000,000 principal amount were still outstanding as of the date of this Offering Circular, has a coupon rate of 5.65% per annum and a term of seven years, and at the end of the fifth year, we can adjust the coupon rate and investors can exercise a retractable option.

On 1 August 2019, we announced the public issuance of the second tranche of the domestic corporate bonds (the ''2019 Second Tranche Domestic Corporate Bonds'') of face value not exceeding RMB5.8 billion to qualified investors by Country Garden Real Estate Group Co., Ltd. (碧桂園地產集團有限公司) (''CG Real Estate''), a wholly-owned subsidiary of the Issuer. The actual issue size of the 2019 Second Tranche Domestic Corporate Bonds is RMB2.21 billion, with a coupon rate of 5.14%. The maturity of the 2019 Second Tranche Domestic Corporate Bonds is four years, with an option for CG Real Estate to adjust the coupon rate and a sell-back option for investors at the end of the second year. On 20 November 2019, we announced the public issuance of the third tranche of the domestic corporate bonds (the ''2019 Third Tranche Domestic Corporate Bonds'') of face value not exceeding RMB5.8 billion to qualified investors by CG Real Estate, a wholly-owned subsidiary of the Issuer. The actual issue size of the 2019 Third Tranche Domestic Corporate Bonds is RMB3 billion, with a coupon rate of 4.98%. The maturity of the 2019 Third Tranche Domestic Corporate Bonds is four years, with an option for CG Real Estate to adjust the coupon rate and a sell-back option for investors at the end of the second year.

On 1 April 2020, we announced the public issuance of a first tranche of domestic corporate bonds (the ''2020 First Tranche Domestic Corporate Bonds'') of face value of not exceeding RMB8.538 billion to qualified investors by CG Real Estate. The actual size of the 2020 First Tranche of Domestic Corporate Bonds is RMB3.4 billion, with a coupon rate of 4.2%. The maturity of the First Tranche of Domestic Corporate Bonds is 5 years, with an option for CG Real Estate to adjust the coupon rate and a sell-back option for investors at the end of the third year.

On 7 July 2020, we announced the public issuance of the second tranche of the domestic corporate bonds (the ''2020 Second Tranche Domestic Corporate Bonds'') of face value of not exceeding RMB1.36 billion to qualified investors by CG Real Estate. The actual issue size of the 2020 Second Tranche Domestic Corporate Bonds is RMB1.36 billion, with a coupon rate of 4.19%. The maturity of the 2020 Second Tranche Domestic Corporate Bonds is five years, with an option for CG Real Estate to adjust the coupon rate and a sell-back option for investors at the end of the third year.

Guangdong Giant Leap Domestic Corporate Bonds

Giant Leap Construction Co. (''Giant Leap''), our wholly-owned subsidiary in the PRC, issued domestic corporate bonds in the principal amount of RMB3,000,000,000. Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on 21 October 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 3.20% per annum, with a tenure of four years. At the end of the second year, the issuer can adjust the coupon rate and investors can exercise a retractable option. As of the date of this Offering Circular, we had fully repaid of the Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds. Series 2 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on the same date in the principal amount of RMB2,000,000,000 with a coupon rate of 3.90% per annum, with a tenure of seven years. At the end of the fifth year, the issuer can adjust the coupon rate and investors can exercise a retractable option. The proceeds from such Series 1 and 2 issuance was used for general working capital purposes. We provide joint and several liability guarantee for these bonds.

The following table sets forth a list of our domestic corporate bonds outstanding as of the date of this Offering Circular.

Issuer	Name of the bond	Par value (RMB million)	Interest rate	Issue date	Term of the bond
Giant Leap	RMB Corporate bonds of Giant Leap issued in 2020 — tranche I[2, 3]	2,000	4.28%	15 September 2020	4 years
Giant Leap	RMB Corporate bonds of Giant Leap issued in 2020 — tranche II[2, 3]	2,000	4.64%	23 November 2020	4 years
Giant Leap	RMB Corporate bonds of Giant Leap issued in 2016 — series II[2, 3]	492	4.5%	21 October 2016	7 years
Giant Leap	RMB corporate bonds of Giant Leap issued in 2021 — tranche I[2]	2,000	4.27%	8 January 2021	4 years
Giant Leap	RMB medium-term notes of Giant Leap issued in 2021 — tranche I	1,100	4.70%	6 May 2021	4 years

Issuer	Name of the bond	Par value (RMB million)	Interest rate	Issue date	Term of the bond
Giant Leap	RMB medium-term notes of Giant Leap issued in 2021 — tranche II (notes (a) and (b))	1,270.00	4.62%	21 July 2021	4 years
Giant Leap	RMB medium-term notes of Giant Leap issued in 2021 — tranche III (notes (a) and (b))	800.00	4.69%	12 August 21	4 years
CG Real Estate	RMB Corporate bonds of Country Garden Property issued in 2020 — tranche III[3]	2,000	4.38%	24 September 2020	5 years
CG Real Estate	RMB Corporate bonds of Country Garden Property issued in 2020 — tranche IV[3]	1,778	4.15%	3 November 2020	5 years
CG Real Estate	RMB Corporate bonds of CG Real Estate issued in 2020 — tranche II[3]	1,360	4.19%	7 July 2020	5 years
CG Real Estate	RMB Corporate bonds of CG Real Estate issued in 2020 — tranche I[3]	3,400	4.20%	1 April 2020	5 years
CG Real Estate	RMB Corporate bonds of CG Real Estate issued in 2019 — tranche III[3]	993	4.98%	20 November 2019	4 years
CG Real Estate	RMB Corporate bonds of CG Real Estate issued in 2019 — tranche II[3]	2,209	4.5%	1 August 2019	4 years
CG Real Estate	RMB Corporate bonds of CG Real Estate issued in 2019 — tranche I[3]	590	5.03%	2 April 2019	5 years
CG Real Estate	RMB corporate bonds of Country Garden Property issued in 2021 — tranche III (note (b))	1,435	4.33%	14 September 2021	4 years
CG Real Estate	RMB corporate bonds of Country Garden Property issued in 2021 — tranche IV (note (b))	1,000	6.3%	17 December 2021	4 years

Issuer	Name of the bond	Par value (RMB million)	Interest rate	Issue date	Term of the bond
The Company	RMB Corporate bonds tranche IV of the Company issued in 2016 — series II[3]	3,940	5.65%	2 September 2016	7 years
The Company	RMB Corporate bonds tranche I of the Company issued in 2021[2,3]	2,000	4.80%	12 March 2021	5 years
The Company	RMB Corporate bonds tranche II of the Company issued in 2021[2,3]	1,100	4.80%	15 June 2021	5 years

Note:
1. Refinanced in 2020.
2. These bonds were guaranteed by certain subsidiaries of the Group.
3. These bonds contained a debt component, put options and coupon rate adjustment options.

Islamic Medium Term Notes

Country Garden Real Estate Sdn. Bhd. (''Malaysian Country Garden''), our wholly-owned subsidiary in Malaysia, issued its first Islamic medium term notes (the ''IMTN'') in December 2015 pursuant to an Islamic medium term notes program of Malaysian Ringgit 1,500,000,000 (equivalent to approximately HK$2,665,000,000) in nominal value, based on the Shariah principal of Murabahah (via a Tawarruq arrangement) (the ''IMTN Program''). The IMTN Program has a term of 20 years from the date of the first IMTN issuance. The proceeds from the issuance of the IMTN shall be used for the general corporate purposes of Country Garden Real Estate Sdn. Bhd. and its subsidiaries, including to finance present and future Shariah-compliant investments, and/or to finance Country Garden Real Estate Sdn. Bhd. and its subsidiaries' Shariah-compliant working capital and capital expenditure requirements, and/or for payment of fees, expenses, costs and all other amounts payable in relation to the establishment of the IMTN Program, all of which shall be Shariah-compliant, and shall be utilized in Malaysia.

Guarantee and security

The IMTN is guaranteed by the Company together with two of our wholly owned subsidiaries, Bright Start Group Limited and Top Favour Holdings Limited. The IMTN is secured by a share charge over these two subsidiaries' shares in Country Garden Real Estate Sdn Bhd, along with a debenture over all the present and future assets of Country Garden Real Estate Sdn Bhd, and a charge over designated accounts.

The following table sets forth a list of our IMTNs issued under the IMTN Program outstanding as of the date of this Offering Circular.

Issuer	Name of the bond	Par value (Malaysian ringgit million)	Interest rate	Issue date	Term of the bond
Malaysia Country Garden	RM Private corporate bonds of Malaysia Country Garden issued in 2020 — tranche VII[1]	481	5.25%	27 March 2020	5 year
Malaysia Country Garden	RM Private corporate bonds of Malaysia Country Garden issued in 2020 — tranche V[1]	166	5.70%	2 March 2020	7 years
Malaysia Country Garden	RM Private corporate bonds of Malaysia Country Garden issued in 2019 — tranche IV	116	6.40%	8 May 2019	3 years
Malaysia Country Garden	RM Private corporate bonds of Malaysia Country Garden issued in 2019 — tranche III	213	6.40%	18 March 2019	3 years
Malaysia Country Garden	RM Private corporate bonds of Malaysia Country Garden issued in 2018	325	6.60%	23 February 2018	5 years
Malaysia Country Garden	RRM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche VIII	158	3.75%	5 April 2021	1 year
Malaysia Country Garden	RRM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche IX	79	4.90%	4 May 2021	5 years
Malaysia Country Garden	RRM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche VI	160	3.75%	4 March 2021	1 year
Malaysia Country Garden	RRM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche X	60	4.13%	July 26, 2021	1 year

Note:
1. These bonds contain a debt component, put option and coupon rate adjustment options.

Offshore facility agreements

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited, CMB Wing Lung Bank Limited, Hang Seng Bank Limited, and BNP Paribas. We have also entered into local project loans with Malaysian banks, including Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad, RHB Bank Berhad and Malayan Banking Berhad, in relation to our Malaysian projects. On 28 December 2018, we entered into a facility agreement with several lenders and Industrial and Commercial Bank of China (Asia) Limited as the facility agent for a HK$3,970 million and US$560.5 million dual tranches transferable term loan facility (the ''December 2018 Loan'') and as of the date of this Offering Circular, we had an aggregate amount of HK$1,535 million and US$243.2 million outstanding under the December 2018 Loan. On 23 July 2019, we entered into a facility agreement with various lenders and Bank of China (Hong Kong) Limited as the facility agent for dual tranche transferable term loan facilities denominated in both H.K. dollars and U.S. dollars in an aggregate amount (including subsequent lender accession) equivalent to approximately US$1,317.3 million for a term of four years (the ''2019 Club Loan''). As of the date of this Offering Circular, we had an aggregate amount of HK$4,300 million and US$826.0 million outstanding under the 2019 Club Loan. On 21 October 2020, we entered into a facility agreement with various lenders and Bank of China (Hong Kong) Limited as the facility agent for a dual tranche term loan facilities (with a lender accession option) denominated in HK$ and US$ in an aggregate amount of approximately US$1,500.0 million for a term of 48 months (the ''2020 Club Loan''). As of the date of this Offering Circular, we had an aggregate amount of HK$8,133 million and US$453.0 million under the 2020 Club Loan. On 22 July 2021, we entered into a facility agreement with various lenders and China Construction Bank Corporation, Hong Kong Branch, as the facility agent for a dual tranche term loan facilities (with a lender accession option) denominated in HK$ and US$ in an aggregate amount of approximately US$1,338 million for a term of 48 months (the ''2021 Club Loan''). As of the date of this Offering Circular, we had an aggregate amount of HK$6,076 million and US$559 million under the 2021 Club Loan.

Our offshore facilities typically have terms ranging from one year to four years.

Guarantee and security

Our Malaysian loans is guaranteed by our Malaysian subsidiaries and are secured by standby letters of credit and/or their land interests in the relevant projects and associated rights. We also guarantee portions of the loans with Public Bank Berhad, Bank of China (Malaysia) Berhad and Industrial and Commercial Bank of China (Malaysia) Berhad. Our term loan with BNP Paribas is guaranteed by certain of our offshore subsidiaries and secured by shares in the acquisition target.

The obligations pursuant to the 2018 Loan, the December 2018 Loan, the 2019 Club Loan, the 2020 Club Loan and the 2021 Club Loan are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the January 2022 Notes, the January 2024 Notes, the April 2024 Notes, the April 2026 Notes, the 2023 Convertible Bonds, the September 2025 Notes, the January 2027 Notes, the January 2030 Notes, the May 2025 Notes, the Original Notes, the January 2031 Notes and other *pari passu* indebtedness (the ''Club Loan Subsidiary Guarantors''). Each of the Club Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2018 Loan, the December 2018 Loan, the 2019 Club Loan, the 2020 Club Loan and the 2021 Club Loan. The 2018 Loan, the 2019 Club Loan, the 2020 Club Loan, the 2021 Club Loan and the subsidiary guarantees provided by the Club Loan Subsidiary Guarantors are secured by the Shared Collateral. See ''—2023 Convertible Bonds—Collateral.''

Interest

The principal amounts outstanding under these loans generally bear fix rate interest or interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate and for several of our Malaysian loans, the base lending rates of the Malaysian banks.

Covenants

Other than our revolving loan and foreign exchange line with The Hongkong and Shanghai Banking Corporation Limited, our other loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

Events of default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

Trust Financing

From time to time, our PRC subsidiaries enter into financing arrangements with local trust institutions. These local trust institutions provide trust loans for purposes of our project development in return for interest payments, and have terms ranging from 12 to 36 months. We have also entered into arrangements whereby our PRC subsidiaries' rights to receive dividends or the proceeds from property sales or accounts receivables were sold and repurchased after a period of time. Some of our trust loans and financing arrangements are guaranteed by our Company or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares) or land use rights in favor of the trust finance provider, or a combination of these. The trust loans and financing arrangements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the arrangements. If an event of default has occurred, the trust finance provider may, without prior notice, exercise its rights to realize the security held under the share pledge agreement and land mortgage agreement, and demand payments from us as guarantor.

Hedging Obligations

In line with our risk management policy to hedge against interest rate and foreign exchange risks, we have entered into swap transactions with various financial institutions. On 30 June 2016, we entered into the GS Hedging Documents with Goldman Sachs International. Our GS Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On 30 June 2016, Goldman Sachs International entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. On 9 May 2017, we entered into the DB Hedging Documents with Deutsche Bank AG. Our DB Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On 9 May 2017, Deutsche Bank AG entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement.

Description of the Global Certificate

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the Bonds which the Global Certificate is issued.

Cancellation

Cancellation of any Bond represented by the Global Certificate by the Issuer following redemption, conversion or purchase by the Company, the Issuer or any of its respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant conversion notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

The Issuer, for value received, will pay to the holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where ''Clearing System Business Day'' means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to accountholders in substitution for notification as required by the Conditions.

Redemption at the Option of the Bondholders

The Bondholder's redemption options in Condition 8(D) and Condition 8(E) of the Conditions may be exercised by the holder of the Global Certificate giving notice to any Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the relevant Condition.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Condition 8(B) and Condition 8(C) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Condition.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(B) shall be exercised by the presentation to any Paying Agent of a duly completed Bondholder's election notice within the time limits set out in and containing the information required by Condition 8(B) of the Conditions.

EXCHANGE OF BONDS REPRESENTED BY GLOBAL CERTIFICATES

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Agent and the Registrar through which the Bonds are held (an ''**Alternative 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 permanently to cease business or does in fact do so. In such circumstances, the Issuer will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

PARTIAL REDEMPTION

In the case of a partial redemption of the Bonds, such Bonds to be redeemed will be selected by such method in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate, in accordance with the rules of the relevant clearing system.

TERMS AND CONDITIONS OF THE BONDS

The following (other than the words in italics) is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each individual registered bond certificates evidencing the Bonds:

The issue of up to HK$3,900,000,000 in aggregate principal amount of 4.95 per cent. Secured Guaranteed Convertible Bonds due 2026 (the ''**Bonds**'', which term shall include, unless the context requires otherwise any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Smart Insight International Limited (the ''**Issuer**'') were authorised by resolutions of the board of directors of the Issuer passed on or around 20 January 2022. The Bonds will be guaranteed by Country Garden Holdings Company Limited (the ''**Company**''). The guarantee of the Bonds by the Company and the right of conversion into Shares (as defined in Condition 6(A)(v)) were authorised by resolutions of the board of directors of the Company passed on or around 20 January 2022. In addition, the right of conversion into Shares was approved by resolutions of the shareholders of the Company on 24 May 2021.

The Bonds are also jointly and severally guaranteed by the initial Subsidiary Guarantors (as defined below), which were authorised by resolutions of the board of directors and shareholders of each initial Subsidiary Guarantor passed on or around 20 January 2022. The Bonds have the benefit of the certain security over the Collateral as set out in Condition 4 and subject to the terms of the Intercreditor Agreement (as defined below). The granting of such security was authorised by resolutions of the board of directors of the Company passed on or around 20 January 2022 and by resolutions of the board of directors and shareholders of each of the initial Subsidiary Guarantor Pledgors (as defined below) on or around 20 January 2022.

The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the ''**Trust Deed**'') dated 28 January 2022 (the ''**Issue Date**'') made between the Issuer, the Company, the Subsidiary Guarantors and Citicorp International Limited as bond trustee and security trustee for the Bondholders (the ''**Trustee**'', which term shall, where the context so permits, include all other persons or companies for the time being acting as bond trustee or security trustee under the Trust Deed) and are subject to the paying and conversion agency agreement dated 28 January 2022 (as amended or supplemented from time to time, the ''**Agency Agreement**'') made between the Issuer, the Company, the Trustee, the Subsidiary Guarantors and Citibank N.A., London Branch as principal paying, conversion and agent and transfer agent (the ''**Principal Agent**''), Citibank Europe plc as registrar (the ''**Registrar**'') and the other paying, conversion and transfer agents appointed under it (each a ''**Paying Agent**'', ''**Conversion Agent**'' or ''**Transfer Agent**'', as applicable, and together with the Registrar and the Principal Agent, the ''**Agents**'') relating to the Bonds. References to the ''**Principal Agent**'', ''**Registrar**'' and ''**Agents**'' below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (the ''**Conditions**'') include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed.

Copies of the Trust Deed, the Security Documents, the Intercreditor Agreement and the Agency Agreement are available for inspection during normal business hours at the registered office of the Trustee being as at the date hereof at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of, and are bound by, the Trust Deed and are deemed to have notice of all the provisions of the Trust Deed, the Security Documents, the Intercreditor Agreement and the Agency Agreement applicable to them.

1. Status and Guarantees

A. Status

The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

B. Guarantees

The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

Each initial Subsidiary Guarantor has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

Each Subsidiary Guarantor's and the Company's obligations in the above respect (the ''**Guarantees**'') are contained in the Trust Deed. Each Guarantee constitutes direct, unsubordinated, unconditional and secured obligations of the Company and each Subsidiary Guarantor, respectively. The payment obligations of the Company and each Subsidiary Guarantor under their respective Guarantees shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

The initial Subsidiary Guarantors as at the Issue Date are Smart World Development Holdings Ltd, Angel View International Limited, Boavista Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited and Country Garden (Hong Kong) Development Company Limited. All of the initial Subsidiary Guarantors are holding companies that do not have significant operations.

The Company will cause each of its future Subsidiaries which guarantees the payment of amounts payable under any Notes or any Indenture to execute and deliver to the Trustee a deed supplemental to the Trust Deed (a ''**Supplemental Trust Deed**'') pursuant to which each such Subsidiary will guarantee the payment of any amount payable under the Bonds or the Trust Deed on a *pari passu* basis with the obligations of the Company under the Notes and the Indentures. Each Subsidiary of the Company that guarantees the Bonds after the Issue Date, upon execution of the applicable Supplemental Trust Deed, will be a ''**Subsidiary Guarantor**''.

A Subsidiary Guarantor shall be simultaneously released from its obligations under its Guarantee upon the release of the Subsidiary Guarantor from its guarantee in respect of the Notes. The Trust Deed provides that no release of a Subsidiary Guarantor from the relevant Guarantee shall be effective against the Trustee or the Bondholders until the Company has delivered to the Trustee an officer's certificate stating that all requirements relating to such release and discharge have been complied with and that such release and discharge is authorised and permitted under the Trust Deed and the Security Documents (as defined in Condition 4(B)).

For the purposes of this Condition 1 only, ''**Subsidiary**'' means, with respect to any Person, any corporation, association or other business entity (1) 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 (2) of which 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 and in each case of (1) and (2) which is controlled and consolidated by such Person in accordance with GAAP.

2. Form, Denomination and Title

A. Form and Denomination

The Bonds are issued in registered form in the denomination of HK$2,000,000 each and integral multiples thereof. A bond certificate (each a ''**Certificate**'') will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the ''**Register**'') which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank S.A./N.V and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate. See the section of the Offering Circular entitled ''The Global Certificate''.

B. Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions ''**Bondholder**'' and (in relation to a Bond) ''**holder**'' mean the person in whose name a Bond is registered.

3. Transfers of Bonds; Issue of Certificates

A. Register

The Issuer will cause to the Register be kept at the specified office of the Registrar outside of Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

B. Transfer

Subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the relevant Certificate duly completed and signed by the holder, or his attorney duly authorised in writing, to the specified office of the Registrar or the specified office of any of the Transfer Agents during usual business hours. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

C. Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within three business days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the original Certificate and the form of transfer on the back of such Certificate duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Company's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted in accordance with Condition 6, a new Certificate in respect of the Bonds not so transferred or converted will, within three business days of delivery of the original Certificate to the Registrar or other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, ''**business day**'' shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Transfer Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

D. Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) the Issuer or the Registrar or other relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

E. Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) any date for payment of principal pursuant to the Conditions; (ii) during the period of seven days ending on (and including) any date for redemption pursuant to Condition 8(C); (iii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; (iv) after a Relevant Event Redemption Notice (as defined in Condition 8(D)) or Optional Put Exercise Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond; or (v) during the period of seven days ending on (and including) any Interest Record Date, or (vi) during such other periods during which the Issuer may be required to close its stock transfer books under any applicable law (each such period, a ''**Closed Period**'').

F. Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder) by the Registrar to any Bondholder upon request in writing.

4. Negative Pledge, Security and Permitted Indebtedness

A. Negative Pledge

Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its Subsidiaries will, create or permit to subsist or arise any Security Interest (except for any Further Security Interest that is permitted by these Conditions) upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company or the Issuer's obligations under the Bonds are secured equally and rateably by the same Security Interest or, at the option of the Issuer or the Company (as applicable), by such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution of the Bondholders.

In these Conditions:

(i) any reference to ''**Further Security Interests**'' is to a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other arrangement having a similar economic effect;

(ii) any reference to ''**Security Interest**'' is to a mortgage, charge, pledge, lien or security interest securing any obligation of any person; and

(iii) any reference to ''**Relevant Indebtedness**'' is to any future or present indebtedness incurred outside the People's Republic of China in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any secured transferable loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred).

B. Security

The obligations of the Issuer and the Company under the Bonds and the Trust Deed, and of the Company and the initial Subsidiary Guarantors under their respective Guarantees, are secured rateably and on a *pari passu* basis with the obligations of the Company under the Notes and the Indentures by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents (the ''**Security**'').

The Security is granted by the Company and the initial Subsidiary Guarantor Pledgors to Citicorp International Limited as Trustee and is evidenced by and subject to the terms of the Intercreditor Agreement and the Security Documents. Pursuant to the terms of the Intercreditor Agreement the Security is shared on a pari passu basis with the holders of the Notes.

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, Infiniti Holdings Development Limited, Falcon Investments Development Ltd, and Impreza Group Limited.

The Company will procure that any Further Security Interests granted by the Company or any future Subsidiary Guarantor Pledgor after the Issue Date securing the obligations of the Company under the Notes and the Indentures or of a Subsidiary Guarantor under its Guarantee, is also granted to the Trustee for the benefit of the Bondholders on a *pari passu* basis to secure the obligations of the Issuer under the Bonds and the Trust Deed and of such Subsidiary Guarantor and the Company under their respective Guarantees. Each future Subsidiary Guarantor Pledgor that grants such further Security after the Issue Date, upon the granting of such further Security, will be a ''**Subsidiary Guarantor Pledgor**''.

Subject to compliance with the provisions of the Trust Deed, any Security created in respect of the Collateral shall be released upon the release, pursuant to the relevant indenture, of any *pari passu* Security Interest in respect of the same Collateral for the Notes.

Neither 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 Bonds, 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 Security, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realise upon or otherwise enforce any of the Security or Security Documents or any delay in doing so.

C. Intercreditor Agreement

The Company and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the ''**Intercreditor/Collateral Agent**'' which term shall, where the context so permits, include all other persons or companies for the time being acting as collateral agent and intercreditor agent under the Intercreditor Agreement and the Security Documents), among others, are party to an intercreditor agreement dated 10 September 2009 as amended and supplemented (the ''**Existing Intercreditor Agreement**'') and the following parties have acceded to the Existing Intercreditor Agreement: the trustees and agents on behalf of the holders of the Existing *Pari Passu* Secured Indebtedness and any other trustee on behalf of any other *pari passu* secured indebtedness of the Company. On or prior to the Issue Date, the Trustee on behalf of the Bondholders will enter into a supplement to the Existing Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof is herein referred to as the ''**Intercreditor Agreement**'').

Under the Intercreditor Agreement, the trustees and agents on behalf of the holders of the Existing *Pari Passu* Secured Indebtedness and the Trustee on behalf of the holders of the Bonds (collectively with each holder (or its trustee or representative) of *pari passu* secured indebtedness permitted under the Existing *Pari Passu* Secured Indebtedness who becomes a party to the Intercreditor Agreement pursuant to the terms thereof, the ''**Secured Parties**'') will have appointed The Bank of New York Mellon to act as the Intercreditor/Collateral Agent with respect to the Collateral securing the obligations under the indenture, trust deed, facility agreement or swap agreements (as appropriate) of the Existing *Pari Passu* Secured Indebtedness and the Trust Deed (collectively with any other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors, the ''**Secured Obligations**''), 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.

The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral, (2) the conditions under which the parties thereto will consent to the release of such Collateral, and (3) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the indebtedness secured thereby.

The Intercreditor Agreement will provide that all payments received and all amounts held by the Intercreditor/Collateral Agent in respect of the Collateral will be applied as follows:

(i) first, to the ratable payment of the expenses of such sale or other realisation, including but not limited to compensation to the Intercreditor/Collateral Agent and all expenses, liabilities and advances incurred or made by the secured parties in connection therewith, and any other unreimbursed expenses for which such parties are to be reimbursed pursuant to the secured party documents, and to the ratable payment of any other unreimbursed expenses for which a Secured Party is to be reimbursed pursuant to the secured party documents;

(ii) second, to the ratable payment of accrued but unpaid interest on the Secured Obligations;

(iii) third, to the ratable payment of unpaid principal of the Secured Obligations;

(iv) fourth, to any make-whole premium or any other premium payable pursuant to the secured party documents;

(v) fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

(vi) finally, any surplus remaining after such payments to the Company or the Subsidiary Guarantor Pledgors or their successors or assigns, or to whomever may be lawfully entitled thereto.

At any time and from time to time, the Intercreditor/Collateral Agent shall release the Collateral with the prior written consent of the Secured Parties and in accordance with the provisions of the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

(i) upon repayment in full of the Bonds;

(ii) 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 these Conditions and the Trust Deed;

(iii) with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor no longer becoming a Subsidiary Guarantor;

(iv) with respect to any security over any Capital Stock of any Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor; and

Subject to the Intercreditor Agreement, the Intercreditor/Collateral Agent will initially act as intercreditor/collateral agent under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the these Conditions, the Trust Deed, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Bondholders. The Intercreditor/Collateral Agent will be under no obligation to exercise any rights or powers conferred under these Conditions, the Trust Deed, the Intercreditor Agreement or any of the Security Documents for the benefit of the Bondholders unless such Bondholders have offered to the Intercreditor/Collateral Agent indemnity and/or security satisfactory to the Intercreditor/Collateral Agent against any loss, liability or expense. Furthermore, each holder of the Bonds, by accepting the Bonds will agree, for the benefit of the Intercreditor/Collateral Agent that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent in respect of such risks.

D. Permitted Pari Passu Indebtedness

On or after the Issue Date and subject to the Trust Deed, the Company and each Subsidiary Guarantor Pledgor may create Further Security Interests on the Collateral *pari passu* with the Security for the benefit of the Trustee and the Bondholders to secure indebtedness of the Company (including any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) or any Subsidiary Guarantor and any *Pari passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such indebtedness (such indebtedness of the Company or any Subsidiary Guarantor and any such *Pari passu* Subsidiary Guarantee, ''**Permitted Pari passu Secured Indebtedness**''); provided that (1) the holders of such indebtedness (other than any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; and (2) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Officers' 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 substantially as set forth in the Security Documents, and an opinion of legal counsel of recognized standing in relation to the Security Documents in form and substance reasonably satisfactory to the Trustee. The Trustee will be permitted and authorised, without the consent of the Bondholders, to enter into any amendments to the Security Documents, the Trust Deed or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of liens on the Collateral to secure Permitted *Pari passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to above to hold the Collateral on behalf of the Bondholders and the holders of Permitted *Pari passu* Secured Indebtedness).

E. Notification to NDRC

The Issuer undertakes that it will, within the prescribed time period, file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective as of 14 September 2015 (the ''**NDRC Post-issue Filing**'') and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

F. Definitions

In these Conditions:

''**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 Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

''**Collateral**'' means all collateral securing, or purported to be securing, directly or indirectly, the Bonds or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

''**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 Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

''**Default**'' means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

''**Existing Pari Passu Secured Indebtedness**'' means any indebtedness outstanding on the Issue Date whose holders, creditors, representatives, agents or trustees are Secured Parties under the Intercreditor Agreement.

''**Indentures**'' means:

(a) the indenture dated 12 January 2021 (as amended, restated and/or supplemented from time to time) between, among others, the Company, the Subsidiary Guarantors and Citicorp International Limited as trustee of the Notes; and

(b) any other indenture or other agreement or instrument (i) under which any Notes were issued or constituted; or (ii) otherwise contains the terms and conditions of any Notes;

''**NDRC**'' means the National Development and Reform Commission of the PRC or its local counterparts.

''**Notes**'' means:

(a) the 2.70 per cent. Senior Notes due 2026 (XS2280833133) issued by the Company; and

(b) any other debt obligations similar to the notes referred to in paragraph (a) above that the Company may issue from time to time and which constitute Permitted Pari Passu Secured Indebtedness;

''**Pari Passu Subsidiary Guarantee**'' means a guarantee by any Subsidiary Guarantor of indebtedness of the Issuer, the Company, and any Subsidiary Guarantor (including in respect of any further Bonds issued under Condition 16); provided that such guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

''**Person**'' includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

''**Preferred Stock**'' means, as applied to the Capital Stock of any Person, the 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.

''**Officer**'' means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

''**Officers' Certificate**'' means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

''**Registration Business Day**'' means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, PRC.

''**Security Documents**'' means, collectively, the share charges and any other agreements or instruments that in each case may evidence or create any Security Interest in any or all of the Collateral in favour of The Bank of New York Mellon (or its successors) as the Collateral Agent for the holders of the Notes and/or any Bondholder.

''**Subsidiary Guarantee**'' means any Guarantee of the payment of the Bonds under these Conditions or the Trust Deed by any Subsidiary Guarantor.

''**Subsidiary Guarantor**'' means any initial Subsidiary Guarantor named in these Conditions and any other Subsidiary which guarantees the payment of the Bonds pursuant to the Guarantees; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with these Conditions and the Trust Deed.

''**Subsidiary Guarantor Pledgor**'' means each initial Subsidiary Guarantor Pledgor named herein and each other Subsidiary Guarantor which provides Collateral pursuant to the Trust Deed and the Intercreditor Agreement to secure the obligations of the Issuer under the Bonds and the Trust Deed; provided that Subsidiary Guarantor Pledgor will not include any person who has granted any Security Interest under the Security Documents which has been released in accordance with the Trust Deed, the Intercreditor Agreement and the Security Documents.

5. Interest

The Bonds bear interest on their outstanding principal amount from and including 28 January 2022 (the ''**Issue Date**'') at the rate of 4.95 per cent. per annum, payable semi-annually in arrear on 28 July and 28 January in each year (each an ''**Interest Payment Date**'') commencing on 28 July 2022. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest (a) (subject to Condition 6(B)(vi)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date (subject in any case as provided in Condition 6(B)(vi)), or (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at the rate of 3.00 per cent. per annum above the aforementioned interest rate (both before and after judgment) (''**Default Interest**'') until whichever is the earlier of (x) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (y) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an ''**Interest Period**''.

Interest in respect of any Bond shall be calculated per HK$2,000,000 in principal amount of the Bonds (the ''**Calculation Amount**''). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a Hong Kong cent being rounded upwards).

In this Conditions, the expression ''**business day**'' means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Hong Kong Dollar payments in Hong Kong.

6. Conversion

A. Conversion Right

(i) *Conversion Period*: Subject as hereinafter provided, each Bondholder has the right to convert the Bonds held by it into Shares (as defined in Condition 6(A)(v)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond held by it into Shares is referred to herein as the ''**Conversion Right**''. Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after 10 March 2022 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the ''**Conversion Period**'').

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by such holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 20 January 2022 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK$100.00. Any such sum shall be due and payable on the date the Shares are delivered pursuant to Condition 6(B)(iii)).

(iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the ''**Conversion Price**'') will initially be HK$8.10 per Share but will be subject to adjustment in the manner provided in Condition 6(C) and Condition 6(D).

(iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall on the date fixed for redemption thereof default in making payment in full in respect of any Bond which shall have been called for redemption, (b) any Bond has become due and payable prior to the Maturity Date in accordance with Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 18) and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(v) *Meaning of ''Shares'':* As used in these Conditions, the expression ''**Shares**'' means ordinary shares of par value HK$0.10 each in the share capital of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of such ordinary shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

B. Conversion Procedure

(i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit (at his own expense) at the specified office of any Conversion Agent during office hours between 9:00 am and 3:00 pm on any business day (at the place where the Certificate evidencing such Bond is deposited for conversion) a notice of conversion (a ''**Conversion Notice**'') in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate in respect of such Bond and any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

The conversion date in respect of a Bond (the ''**Conversion Date**'') must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such

Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable unless the Company and Issuer consent in writing to its withdrawal. ''**Stock Exchange Business Day**'' means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the ''**Hong Kong Stock Exchange**'') or the Alternative Stock Exchange (as defined in Condition 6(C)), as the case may be, is open for trading of securities.

(ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay to the relevant authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands, the British Virgin Islands, Hong Kong or any other relevant jurisdiction in connection with the creation, issue, offering or sale of the Bonds or the execution or delivery of the Trust Deed, the Intercreditor Agreement, the Security Documents, and the Agency Agreement and, if relevant, in the place of the Alternative Stock Exchange, by the Company in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (the ''**Taxes**'') and such Bondholder must pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion but shall not be responsible for any other expenses arising on the issue of Shares on conversion of Bonds. Neither the Trustee nor the Agent is under any obligation to determine whether a Bondholder is liable to pay any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii).

(iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date in respect of any Bond, the Company will in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited or paid as required by sub-paragraphs (i) and (ii) above, register the person or persons designated for such purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Company's share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the ''**CCASS**'') effective from time to time, take all necessary actions to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such share certificate or certificates registered in the name of such person or persons available for collection at the office of the Company's share registrar in Hong Kong (currently Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong) as may from time to time be notified to Bondholders in accordance with Condition 18 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such share certificate or certificates are sent) such share certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof. In all cases a single certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the ''**Registration Date**''). The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with all other Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

(iv) *Retroactive Adjustments*: If the Conversion Date in relation to any Bond shall be on or after the date of the first public announcement of the terms of, or if a record date is fixed, the record date for, any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective under Condition 6(C) (a ''**Retroactive Adjustment**''), upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)) of such additional number of Shares (''**Additional Shares**'') as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant date of the first public announcement or, as the case may be, the relevant record date, and in such event and in respect of such Additional Shares references in this Condition 6(B)(iv) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the relevant Conversion Date or the relevant Conversion Period).

(v) *Equivalent Amounts*: If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the relevant Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B) prior to the time such Retroactive Adjustment shall have become effective), the Issuer (failing whom the Company) will pay to the converting Bondholder or his designee the an amount in Hong Kong dollars (the ''**Equivalent Amount**'') equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which such Bondholder would have been entitled had he on that record date been such a shareholder of record and will make such payment to such Bondholder at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. Any such dividend or distribution shall be paid within such time period by transfer to a Hong Kong dollar account maintained by the payee with, a bank in Hong Kong, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the Equivalent Amount payable under this Condition 6(B) and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

(vi) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) or Condition 8(C) on or after the fifteenth Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee with, a bank in Hong Kong, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

C. Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

(1) Consolidation, Subdivision, Redesignation or Reclassification: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

(2) Capitalisation of Profits or Reserves:

(i) If and whenever the Company shall issue any Shares credited as fully paid to the holders of Shares (the ''**Shareholders**'') by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account (except for any Scrip Dividend (as defined below)) and which would not have constituted a Capital Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share on the date of announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

(3) Capital Distributions: If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value (as defined below) per Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of ''**Fair Market Value**'') be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Company.

(4) Rights Issues of Shares or Options over Shares: If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(5) Rights Issues of Other Securities: If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of ''**Fair Market Value**'') be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

(6) Issues at less than Current Market Price: If and whenever the Company shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share

which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

(7) Other Issues at less than Current Market Price: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity, shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities

(8) Modification of Rights of Conversion etc.: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate number of Shares in issue immediately before such modification;

B is the maximum number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(9) Other Offers to Shareholders: If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any

securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of ''**Fair Market Value**'') be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

(10) Other Events: If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Company shall, at its own expense, consult an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination. Notwithstanding the foregoing, the per Share value of any such modification shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

In this Condition 6(C), where the events or circumstances giving rise to any adjustment pursuant to any of the above adjustments under this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

''**Alternative Stock Exchange**'' means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, such other internationally recognised stock exchange which is the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

''**Capital Distribution**'' means (i) the aggregate distribution of assets in specie by the Company for any financial period whenever paid or made and however (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Company for any financial period (whenever paid and however described), *provided that* a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company) shall not constitute a Capital Distribution unless the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds the Current Market Price of a Share by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b) of this definition, the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Capital Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of (A) 105 per cent. of such Current Market Price and (B) the number of Shares so purchased or redeemed;

''**Closing Price**'' of the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

''**Current Market Price**'' means, in respect of a Share on a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or

(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share.

''**Fair Market Value**'' means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Share shall be the amount of such cash Capital Distribution per Share and (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit.

''**Independent Financial Advisor**'' means a reputable independent financial advisor or financial institution with appropriate expertise selected by the Issuer and notified in writing to the Trustee. If the Issuer fails to select an Independent Financial Advisor when required by these Conditions, the Trustee may (at its absolute discretion) (but shall not be obliged to) select the Independent Financial Advisor. The Trustee shall not be responsible for or under any obligation to appoint an Independent Financial Advisor and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it.

''**Prevailing Rate**'' means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined.

''**Relevant Cash Dividend**'' means any cash dividend specifically declared by the Company.

''**Relevant Page**'' means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information.

''**Scrip Dividend**'' means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(2)).

Any reference to a ''**Subsidiary**'' of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Cayman Islands or Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

''**Trading Day**'' means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for the business of dealing in securities, *provided that* for the purposes of any calculation where a Closing Price is required, if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 18 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on the conversion of any Bond, Shares would be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands and Hong Kong.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Conditions 6(C) should be made, and following consultation between the Issuer, the Company and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Company, the Bondholders and the Trustee, save in the case of manifest error. Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.

No adjustment will be made to the Conversion Price when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees (including directors) of the Company or any of its Subsidiaries pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange) provided that such issues do not amount to, or entitle such persons to receive shares in excess of 3 per cent. of the average number of issued and outstanding shares during the 12 months period up to the grant of such Shares, options or other securities.

Any references herein to the date on which a consideration is ''fixed'' shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders ''as a class'' or ''by way of rights'' shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so, it shall be entitled to rely without liability to any Bondholder or any report or certificate of a director of the Company in connection therewith.

D. Adjustment upon Change of Control

If a Change of Control (as defined below) shall occur, the Issuer shall give notice of that fact to the Bondholders (the ''**Change of Control Notice**'') in accordance with Condition 18 and the Trustee within fourteen days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within thirty days following a Change of Control, or, if later, thirty days following the date on which the Change of Control Notice is given to Bondholders (such period, the ''**Change of Control Conversion Period**''), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1 + (CP \times c/t)}$$

where:

''**NCP**'' means the new Conversion Price.

''**OCP**'' means the Conversion Price in effect on the relevant Conversion Date.

''**CP**'' means 26.563 per cent. expressed as a fraction.

''**c**'' means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date.

''**t**'' means the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Closed Period.

E. Undertakings

Each of the Issuer and the Company undertakes that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed):

(i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Company and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Shares (as a class) by any such stock exchange;

(ii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Shares arising on conversion of the Bonds;

(iii) the Company will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund, except where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(C) relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made;

(iv) it will use all reasonable endeavours to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the ''**SGX**'') and if the Company is unable to maintain such listing, to use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Bonds by any such stock exchange;

(v) the Company will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and

(vi) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Company, provided always that the Company shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

F. Notice of Change in Conversion Price

The Issuer and the Company shall give notice to the Bondholders and the Trustee in accordance with Condition 18 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth reasonable details of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. For the avoidance of doubt, nothing in this Condition 6(F) shall require the Company to disclose any information which it is not legally permissible to disclose.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

7. Payments

A. Principal, interest and premium

Payment of principal, premium (if any) and interest due other than on an Interest Payment Date and any other amount due will be made by transfer to the registered account of the Bondholder. Payment of principal and premium (if any) will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the ''**Interest Record Date**''). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon (if any).

B. Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the Interest Record Date, and a Bondholder's registered address means its address appearing on the Register at that time.

C. Fiscal Laws

All payments are subject in all cases to any applicable laws, regulations and directives and in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

D. Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

E. Delay In Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

F. Business Day

In this Condition 7, unless otherwise defined, ''**business day**'' means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and London and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

G. Partial Payment

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

H. Rounding

When making payments to Bondholders, fractions of one Hong Kong cent will be rounded to the nearest Hong Kong cent (half a Hong Kong cent being rounded upwards).

8. Redemption, Purchase and Cancellation

A. Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest on 28 July 2026 (the ''**Maturity Date**''). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or 8(C) below (but without prejudice to Condition 10).

B. Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an ''**Optional Redemption Notice**'') to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the ''**Optional Redemption Date**'') specified in the Optional Redemption Notice at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date, at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith).

C. Redemption for Taxation Reasons

(i) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a ''**Tax Redemption Notice**'') to the Bondholders in accordance with Condition 18, the Trustee and the Principal Agent (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date (the ''**Tax Redemption Date**'') if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (i) the Issuer (or if the Guarantees were called, the Company or any Subsidiary Guarantor) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company), the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor (in the case of a payment by any Subsidiary Guarantor) or, in each case, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 January 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax

Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment referred to in (i) above has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at a redemption price equal to their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date.

(ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(ii), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the ''**Tax Option Exercise Notice**'') together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date.

D. Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at a redemption price equal to their principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the ''**Relevant Event Redemption Notice**'') together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18. The ''**Relevant Event Redemption Date**'' shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable unless the Issuer consents to its withdrawal and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and will not be responsible or liable to Bondholders for any loss arising from any failure by it to do so.

The Issuer shall give notice to Bondholders in accordance with Condition 18 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event.

For the purposes of this Condition 8(D):

A ''***Change of Control***'' means the occurrence of one or more of the following events:

(i) 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 Subsidiaries, taken as a whole, to any Person, other than one or more Permitted Holders;

(ii) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(iii) the Permitted Holders are collectively the beneficial owners of less than 30 per cent. of the total voting power of the Voting Stock of the Company;

(iv) any Person or group is or becomes the beneficial owner, 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;

(v) individuals who on the Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then 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;

(vi) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(vii) the Company ceasing to be the direct or indirect beneficial owners of 100 per cent. of the total voting power of the Voting Stock of the Issuer.

''**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 Maturity Date, (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 Maturity Date or (3) convertible into or exchangeable for Capital Stock referred to in paragraphs (1) or (2) above or indebtedness having a scheduled maturity prior to the date that is 183 days after the Maturity Date; 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 Maturity Date 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 Condition 8(D) 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 any Bonds which are required to be redeemed pursuant to Condition 8(D).

''**Permitted Holders**'' means any or all of the following:

(i) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;

(ii) any relevant affiliate of the Permitted Holders specified above; and

(iii) 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 per cent. or more by one or more of the Permitted Holders specified above.

A ''**Relevant Event**'' occurs:

(i) when the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); or

(ii) when there is a Change of Control.

''**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.

E. Redemption at the Option of Bondholders

The holder of each Bond will have the right to require the Issuer to redeem such Bond on 28 January 2024 (the ''**Optional Put Date**'') at a redemption price equal to its principal amount (together with any interest accrued to the date fixed for redemption but unpaid) as at such date. To exercise such option, the holder must surrender the Certificate representing such Bond to any Transfer Agent or the Registrar together with a duly completed exercise notice (the ''**Optional Put Exercise Notice**'') in the form obtainable from any Transfer Agent or the

Registrar, not more than 60 nor less than 30 days prior to the Optional Put Date. An Optional Put Exercise Notice once delivered shall be irrevocable and the Issuer shall redeem the Bonds the subject of the relevant Optional Put Exercise Notice on the Optional Put Date.

F. Purchases

The Issuer, the Company or any of their respective Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

G. Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer, the Company or any of their respective Subsidiaries, will be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

H. Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be given in accordance with Condition 18 and will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount and the amount of accrued interest payable (if any) (v) the date for redemption, (vi) the manner in which redemption will be effected, and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption (which shall include any notice given by the Issuer pursuant to Condition 8(B) or 8(C) and any Relevant Event Redemption Notice or Optional Put Exercise Notice is given by a Bondholder pursuant to Condition 8(D) or Condition 8(E)), the first of such notices to be given shall prevail.

9. Taxation

All payments of principal, premium (if any) and interest made by or on behalf of the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor under or in respect of the Bonds, the Guarantee, the Intercreditor Agreement, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands, the British Virgin Islands, Hong Kong, the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor, the PRC or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

(i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of a payment by the Issuer) (or in the case of payments made by the Company, the Cayman Islands or Hong Kong), the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor (in the case of a payment by any Subsidiary Guarantor) or, the PRC, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or

(ii) (in the case of a payment of principal or premium) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, ''**relevant date**'' means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provision of this Condition shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are subject of a Bondholder election pursuant to Condition 8(C).

10. Events of Default

A. Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject to being indemnified and/or secured by the Bondholders to its satisfaction), give notice in writing to the Issuer and the Company that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their principal amount, together with any accrued but unpaid interest (including Default Interest) (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

(i) *Non-Payment*: a default is made in the payment of any principal, premium (if any) or interest due in respect of the Bonds for more than (a) three days in the case of principal or premium (if any), or (b) seven days in the case of interest only;

(ii) *Failure to deliver Shares*: any failure by the Company to deliver the Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for more than three days;

(iii) *Breach of Other Obligations*: the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor does not perform or comply with one or more of its other obligations in the Bonds, the Trust Deed, the Intercreditor Agreement or any Security Document which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days or such longer period as the Trustee may permit after written notice of such default shall have been given to the Issuer or the Company by the Trustee;

(iv) *Insolvency*: the Issuer, the Company or any of their Principal Subsidiaries (as defined below) is (or is, or could be, deemed by law or a court of applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts when due, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Company or any of their Principal Subsidiaries;

(v) *Cross Default*: (a) any other present or future indebtedness (whether actual or contingent) of the Issuer, the Company or any of their Subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer, the Company or any of their Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (v) have occurred equals or exceeds US$30 million or its equivalent (as determined on the basis of the Prevailing Rate) in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

(vi) *Enforcement Proceedings*: a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or any, in the opinion of the Trustee, material part of the property, assets or turnover of the Issuer, the Company or any of their Principal Subsidiaries and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;

(vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, the Company or any of their Principal Subsidiaries (except for a members' voluntary solvent winding-up of a

Principal Subsidiary), or the Issuer, the Company or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or, in the opinion of the Trustee, substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of any Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Company or another of their respective Principal Subsidiaries;

(viii)*Security Enforced*: an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed of the whole or, in the opinion of the Trustee, a material part of the property, assets or turnover of the Issuer, the Company or any of their respective Principal Subsidiaries (as the case may be) and is not discharged within 30 days;

(ix) *Nationalisation*: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or, in the opinion of the Trustee, a material part of the assets of the Issuer, the Company or any of their respective Principal Subsidiaries;

(x) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer, the Company, each Subsidiary Guarantor and each Subsidiary Guarantor Pledgor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed, the Intercreditor Agreement, the Security Documents, and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable against the Issuer or the Company and (c) to make the Bonds, the Trust Deed, the Intercreditor Agreement, the Security Documents and the Agency Agreement admissible in evidence in the courts of the Cayman Islands, the British Virgin Islands, Hong Kong or England or the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor or Subsidiary Guarantor Pledgor is not taken, fulfilled or done;

(xi) *Illegality*: it is or will become unlawful for the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor to perform or comply with any one or more of its obligations under any of the Bonds, the Guarantee, the Intercreditor Agreement, the Security Documents, the Trust Deed or the Agency Agreement;

(xii) *Guarantee*: except as permitted under the Trust Deed, any Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect with respect to any Subsidiary Guarantor or the Company or is claimed to be unenforceable, invalid or not in full force and effect by any Subsidiary Guarantor or the Company or the Issuer;

(xiii) *Security*: except as permitted under the Trust Deed, any Security Document becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by any Subsidiary Guarantor Pledgor or the Company or the Issuer;

(xiv) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv), (vi), (vii), (viii) or (ix).

For the purposes of these Conditions:

''**Principal Subsidiary**'' means any Subsidiary of the Issuer or the Company:

(a) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited profit and loss account exceeds 10 per cent. of the consolidated gross revenues as shown by the then latest published audited consolidated profit and loss account of the Issuer or the Company and their respective Subsidiaries;

(b) whose profit before income tax (''**pre-tax profit**'') or (in the case of a Subsidiary which has subsidiaries) consolidated pre-tax profit as shown by its latest audited profit and loss account exceeds 10 per cent. of the consolidated pre-tax profit as shown by the then latest published audited consolidated profit and loss account of the Issuer or the Company and their respective Subsidiaries including, for the avoidance of doubt, the Issuer, the Company and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated companies (including jointly controlled entities);

(c) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Issuer, the Company and their respective Subsidiaries) as shown by its latest audited balance sheet exceeds 10 per cent. of the gross consolidated assets of the Issuer, the Company and their respective Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Issuer, the Company and their respective Subsidiaries; or

(d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary in respect of any of the events referred to in this Condition 10 if its gross revenues, pre-tax profit or gross assets (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) when aggregated with the gross revenues, gross pre-tax profit or gross assets of each other Subsidiary which is not itself a Principal Subsidiary (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) with respect to which any of the events referred to this Condition 10 has occurred during the preceding 12 months, exceeds 10 per cent. of the consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets of the Issuer, the Company and their respective Subsidiaries.

A certificate by the directors of the Issuer or the Company (as applicable) that, in their opinion, a Subsidiary is or is not or was or was not or would or would not have been, pursuant to the paragraph above, treated as, at any particular time, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties concerned. The Trustee shall be entitled to rely on such certificate without any further investigation or liability. References to the audited profit and loss account and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account or balance sheet is required by law to be produced, to a pro forma profit and loss account or balance sheet, prepared for the purpose of such certificate. References to ''gross revenues'', ''pre-tax profit'', ''gross assets'', consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements audited by an internationally recognised firm of accountants.

11. Consolidation, Amalgamation or Merger

Each of the Issuer and the Company will not consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

(i) the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which the Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company shall be a corporation organised and validly existing under the laws of its place of incorporation, and shall, by a deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may require, executed and delivered in form and content acceptable to the Trustee, expressly assume all of the obligations of the Issuer or the Company, as the case may be, in respect of all of the Bonds and under the Trust Deed and the Agency Agreement and indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal with respect to the payment of principal and premium on the Bonds;

(ii) the terms of the supplemental Trust Deed referred to in paragraph (i) above will provide that (a) the holder of each Bond then outstanding will have the right (during the Conversion Period) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (and such supplemental Trust Deed will provide for adjustments on terms as nearly equivalent as may be practicable to the adjustments provided for in Condition 6(C) and Condition 6(D), as applicable), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 8(C) as a result of any change in the domicile or place of incorporation of Issuer or the Company, as the case may be, or of the successor entity not being incorporated in the Cayman Islands, the British Virgin Islands or Hong Kong and the provisions of Condition 9 shall also be supplemented or modified as the Trustee deems appropriate; and

(iii) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

If any two directors of the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company, as the case may be, certify that it will be solvent immediately after assuming all obligations of the Issuer or the Company, as the case may be, pursuant to this Condition 11, the Trustee need not have regard to such entity's financial condition, profits or prospects or compare them with those of the Issuer or the Company, as the case may be.

The above provisions of this Condition 11 will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

12. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal or premium (if any)) and five years (in the case of interest) from the relevant date (as defined in Condition 9) in respect thereof.

13. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such proceedings against the Issuer, the Company, the Subsidiary Guarantors and/or the Subsidiary Guarantor Pledgors as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, the Intercreditor Agreement and the Security Documents (save that the Security Interests over the Collateral may only be enforced in accordance with the provisions of the Intercreditor Agreement and the Security Documents) but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer, the Company, the Subsidiary Guarantors and/or the Subsidiary Guarantor Pledgors unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. Meetings of Bondholders, Modification and Waiver

A. Meetings

The Trust Deed contains provisions for convening meetings of Bondholders (including meetings held by way of video or audio conference call) to consider any matter relating to the Bonds affecting their interests, including the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to any provision of Condition 8, (iii) to reduce or cancel the amount of principal, premium (if any) or interest on the Bonds or the Equivalent Amount payable in respect of the Bonds, (iv) to change the denomination or currency of payment of the Bonds, (v) to modify (except for a unilateral and unconditional reduction in the Conversion Price by the Company) or cancel the Conversion Rights (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders or sign a resolution in writing or (vii) to modify or cancel the Guarantee, or to modify or discharge the Security Interests over the Collateral (except as permitted under these Conditions, the Trust Deed, the Intercreditor Agreement and the Security Documents), in which case the necessary quorum for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting (for a lack of quorum) not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution of the Bondholders passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or by way of electronic consents through Euroclear Bank SA/NV and Clearstream Banking S.A. (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding) shall be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

B. Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and all future Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer or the Company to the Bondholders in accordance with Condition 18 as soon as practicable thereafter.

C. Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and Condition 11 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In the event of the passing of an Extraordinary Resolution of the Bondholders in accordance with Condition 14(A) or a modification, waiver or authorisation in accordance with Condition 14(B), the Issuer or the Company will procure that the Bondholders be notified in accordance with Condition 18.

D. Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee, the Issuer and/or the Company in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

15. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the issue price, the first payment of interest on them and the timing for the making of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

17. Currency Indemnity

A. Currency of Account and Payment

Hong Kong dollars (the ''**Contractual Currency**'') is the sole currency of account and payment for all sums payable by the Issuer, the Company or any Subsidiary Guarantor under or in connection with the Bonds, the Trust Deed and the Guarantees, including damages.

B. Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Company or any Subsidiary Guarantor or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer, the Company or any Subsidiary Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

C. Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds, the Trust Deed or the Guarantee, the Issuer, the Company and each Subsidiary Guarantor will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer, the Company and each Subsidiary Guarantor will indemnify the recipient against the cost of making any such purchase.

D. Indemnity Separate

The indemnity in this Condition 17 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

18. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and so long as the Bonds are listed on the SGX and if the rules of the SGX so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be *The Business Times*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

19. Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer and the Company reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer and the Company will at all times maintain (a) a Principal Agent and (b) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer or the Company to the Bondholders and in any event not less than 45 days' notice will be given.

20. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or the Company and any entity related to the Issuer or the Company (including any of their affiliates) without accounting for any profit.

The Trustee may rely without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsels, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by these terms of the Trust Deed or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) or Change of Control has occurred or monitor the performance or compliance of the Issuer in the fulfilment of their respective obligations under the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions. Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

21. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from Act.

22. Governing Law and Submission to Jurisdiction

A. Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with English law.

B. Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed (‘‘**Proceedings**’’) may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts.

C. Agent for Service of Process

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably agreed to receive service of process in any Proceedings in Hong Kong based on any of the Bonds at the Company's business address in Hong Kong, currently at Suite 1702, 17/F Dina House, Ruttonjee Centre 11 Duddell Street Central, Hong Kong. Such service shall be deemed completed on delivery to such address (whether or not, it is forwarded to and received by the Company). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Company irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

D. Waiver of Immunity

Each of the Issuer and the Company has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

Taxation

The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, 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 Bonds or Shares 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 Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, additional amounts (if any) and principal on the Bonds and dividends and capital in respect of the Shares will not be subject to taxation and no withholding will be required on the payment of principal to any holder of the Bonds or the Shares, as the case may be, nor will gains derived from the disposal of the Bonds or the Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duty is payable in respect of the issue of the Bonds or the Shares provided that the Issuer and the Company do not have any interest in land in the Cayman Islands. However, an instrument of transfer in respect of a Bond or a Share or certificates representing the Bonds or Shares is stampable if executed in or brought into the Cayman Islands.

British Virgin Islands

The Issuer was incorporated under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands. Notwithstanding any provision of the Income Tax Act of the British Virgin Islands, (i) the Issuer; (ii) all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer; and (iii) capital gains realised with respect to any shares, debt obligations or other securities of the Issuer, are exempt from all provisions of the Income Tax Act of the British Virgin Islands provided that the recipients are not persons resident in the British Virgin Islands.

All instruments relating to transfers of the shares, debt obligations or other securities of the Issuer are exempt from the payment of stamp duty in the British Virgin Islands, provided that the Issuer does not have any interest in land in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the Issuer.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest in respect of the Bonds.

No withholding tax in Hong Kong is payable on payments of dividends on the Shares.

Profit 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), or the Inland Revenue Ordinance, as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds 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 Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of a Bond. Hong Kong stamp duty is payable on any purchase and sale of the Bonds, including the transfer of the Bonds and transfer of interest in the Bonds upon conversion of the Bonds, for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

The PRC

Taxation on Interest

The EIT Law imposes a tax at the rate of 10% on interests realized by an enterprise holder of the Bonds that is a ''non-resident enterprise'' which does not have an establishment or place of business in the PRC or, whose relevant income is not effectively connected with its establishment or place of business in the PRC despite the existence of such establishment or place of business in the PRC, to the extent such interests are sourced within the PRC. The IIT Law imposes a tax at the rate of 20% on interest paid to an individual holder of the Bonds that is a ''non-resident individual'' who is neither domiciled nor resides in the PRC or who is not domiciled in China but has stayed in China for an aggregate of less than 183 days of a tax year, to the extent such income is sourced within the PRC. Pursuant to these provisions of the PRC tax law, it is unclear whether we are considered as a PRC resident enterprise. If we are considered as a PRC resident enterprise, interests paid to non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and thus subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower withholding tax rate, such lower rate may apply to qualified enterprise investors in the Bonds.

Taxation on Capital Gains

The EIT Law impose a tax at the rate of 10% on capital gains realized by an enterprise holder of Bonds that is a ''non-resident enterprise'' which does not have an establishment or place of business in the PRC or, where despite the existence of establishment or place of business in the PRC, the relevant gain is not effectively connected with such establishment or place of business in the PRC, to the extent such capital gains are sourced within the PRC. The IIT Law imposes a tax at the rate of 20% on interest paid to an individual holder of the Bonds that is a ''non-resident individual'' who is neither domiciled nor resides in the PRC or who is not domiciled in China but has stayed in China for an aggregate of less than 183 days of a tax year, to the extent such income is sourced within the PRC. Pursuant to these provisions of the EIT Law and the IIT Law, although the matter is unclear, if we are considered a PRC resident enterprise, capital gains realized by non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and be subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified enterprise investors in the Bonds.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside the PRC) of a Bond.

Market Price Information

The Shares have been listed on the Hong Kong Stock Exchange since 20 April 2007. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			
	High	Low	End of Period	Total Volume
			(HK $)	('000)
2007				
Second Quarter	7.27	6.59	6.60	2,576,971
Third Quarter	13.76	6.48	13.22	3,910,546
Fourth Quarter	13.24	8.83	9.02	2,016,297
2008				
First Quarter	8.95	5.80	6.71	1,199,644
Second Quarter	7.50	5.00	5.06	1,292,782
Third Quarter	5.10	2.30	2.42	969,044
Fourth Quarter	2.57	1.17	1.90	3,716,882
2009				
First Quarter	2.14	1.45	2.05	1,963,430
Second Quarter	3.98	2.21	3.61	4,173,533
Third Quarter	3.85	2.78	2.80	2,250,184
Fourth Quarter	3.31	2.82	2.89	1,031,912
2010				
First Quarter	3.05	2.44	2.79	634,033
Second Quarter	2.91	2.01	2.09	756,005
Third Quarter	2.65	2.10	2.53	692,173
Fourth Quarter	3.40	2.48	2.98	876,135
2011				
First Quarter	3.44	2.92	3.40	715,993
Second Quarter	3.64	2.93	3.42	807,347
Third Quarter	4.07	2.09	2.18	1,437,440
Fourth Quarter	3.31	1.96	2.91	1,001,053
2012				
First Quarter	3.68	2.76	2.98	2,821,754
Second Quarter	3.41	2.59	3.03	1,676,830
Third Quarter	3.34	2.66	3.02	1,405,060
Fourth Quarter	4.06	2.91	4.06	1,534,282
2013				
First Quarter	4.51	3.49	3.88	1,842,159
Second Quarter	4.63	3.56	4.06	1,433,076
Third Quarter	5.20	3.78	4.96	1,455,188
Fourth Quarter	5.71	4.67	4.68	1,416,331

	Closing Share Price			
	High	Low	End of Period	Total Volume
			(HK $)	('000)
2014				
First Quarter	4.74	2.85	3.24	2,202,021
Second Quarter	3.80	2.88	3.08	2,316,939
Third Quarter	3.97	2.93	2.93	2,886,757
Fourth Quarter	3.25	2.85	3.10	2,257,611
2015				
First Quarter	3.38	2.90	3.13	2,210,861
Second Quarter	4.45	3.13	3.41	4,268,428
Third Quarter	3.39	2.56	2.79	1,479,656
Fourth Quarter	3.18	2.84	3.18	1,060,947
2016				
First Quarter	3.52	2.83	3.08	1,344,268
Second Quarter	3.26	2.97	3.26	805,547
Third Quarter	4.30	3.16	4.09	1,604,266
Fourth Quarter	4.51	3.87	4.34	1,405,213
2017				
First Quarter	7.18	4.20	6.99	1,973,940
Second Quarter	9.90	6.98	9.05	2,581,575
Third Quarter	14.24	8.90	12.42	3,277,287
Fourth Quarter	15.28	11.92	14.90	2,640,694
2018				
First Quarter	18.48	13.12	16.16	5,257,374
Second Quarter	17.28	12.40	13.80	3,056,766
Third Quarter	13.50	9.87	9.87	3,599,836
Fourth Quarter	9.80	7.89	9.53	2,734,913
2019				
First Quarter	12.26	8.60	12.26	2,977,465
Second Quarter	13.28	10.44	11.88	2,362,511
Third Quarter	12.00	9.30	9.93	1,861,033
Fourth Quarter	12.56	9.96	12.48	1,290,402
2020				
First Quarter	12.88	7.88	9.38	2,078,606
Second Quarter	10.28	9.13	9.52	1,384,116
Third Quarter	11.16	9.20	9.48	1,636,057
Fourth Quarter	11.26	9.35	10.72	1,421,062
2021				
First Quarter	10.72	9.00	9.98	2,119,341
Second Quarter	10.04	8.70	8.70	1,214,632
Third Quarter	8.76	6.55	8.05	1,597,215
Fourth Quarter	8.16	6.71	6.92	1,928,133

Source: Bloomberg

Dividends

Subject to the Cayman Companies Act and the Articles of Association of the Company, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the board of directors of the Company. The board of directors of the Company may from time to time pay such interim dividends to the Shareholders of the Company out of distributable funds (including share premium account) as may appear to the board of directors to be justified by the financial position of the Company. No dividend shall be paid otherwise than out of the profits of the Company or out of the share premium account or other fund or account authorized for this purpose in accordance with the Cayman Companies Act. No dividends shall carry interest.

The Company declared a total dividend of 17.33 HK¢ per share for the year ended 31 December 2012.

The Company declared a total dividend of 21.15 HK¢ per share for the year ended 31 December 2013.

The Company declared a total dividend of 18.7 HK¢ per share for the year ended 31 December 2014.

The Company declared a total dividend of 15.56 HK¢ per share for the year ended 31 December 2015.

The Company declared a total dividend of 19.61 HK¢ per share for the year ended 31 December 2016.

The Company declared a total dividend of 48.44 HK¢ per share for the year ended 31 December 2017.

The Company declared a total dividend of 34.49 HK¢ per share for the year ended 31 December 2018.

The Company declared a total dividend of 37.28 HK¢ per share for the year ended 31 December 2019.

The Company declared a total dividend of 25.26 HK¢ per share for the year ended 31 December 2020.

Subscription and Sale

The Issuer and the Company have entered into a subscription agreement with the Sole Bookrunner, pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Company has agreed to guarantee, and the Sole Bookrunner has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Issuer and the Company has agreed in the Subscription Agreement that neither the Issuer, the Company, nor any of its Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from the date of the Subscription Agreement up to 90 days after the date of this Offering Circular (both dates inclusive), without the prior written consent of the Sole Bookrunner, (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as them (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for the Bonds and any New Shares issued pursuant to the conversion provisions of the Bonds;

The Subscription Agreement provides that each of the Issuer and the Company will jointly and severally indemnify the Sole Bookrunner against certain liabilities, including in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Bookrunner are subject to certain conditions precedent, and entitles the Sole Bookrunner to terminate it in certain circumstances prior to payment being made to the Issuer.

General

The Bonds are a new issue of securities with no established trading market. Application will be made for the listing of the Bonds on the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds, the Guarantees and the New Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Sole Bookrunner has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds except in accordance with Rule 903 of Regulation S under the Securities Act, and neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, the Guarantees or the New Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S. The Sole Bookrunner has represented that it has not entered and agrees that it will not enter any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantees, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

The Sole Bookrunner has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the ''**FSMA**'')) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, the Company or the Subsidiary Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision, the expression ''retail investor'' means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, ''**MiFID II**''); or

(b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

The Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression ''retail investor'' means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the ''**EUWA**''); or

(b) 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 the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in the (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA.

Hong Kong

The Sole Bookrunner has represented, warranted and agreed that that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to ''professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a ''prospectus'' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Cayman Islands

The Sole Bookrunner has represented and agreed that the public in the Cayman Islands may not be invited to subscribe for the Bonds unless at the time of such invitation the issuer is listed on the Cayman Islands Stock Exchange.

British Virgin Islands

The Sole Bookrunner has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the ''**Financial Instruments and Exchange Act**''). Accordingly, the Sole Bookrunner has represented and agreed that is has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

The Sole Bookrunner has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Bookrunner has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the ''SFA'') pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA 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.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds 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 Bonds 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 Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(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 Future (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.

Section 309B(1) Notification — In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Sole Bookrunner has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

Transfer restrictions

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Bonds.

The Bonds and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered 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. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Bonds, each purchaser of the Bonds will be deemed to:

1. represent that it is purchasing the Bonds for its own account or an account with respect to which it exercises sole investment discretion, that it and any such account is a purchaser that is outside the United States, that it is not an affiliate (as defined in Rule 144 under the Securities Act) of ours, and it is purchasing Bonds (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S;

2. acknowledge that the Bonds and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;

3. agree on its own behalf and on behalf of any investor account for which it is purchasing Bonds, and each subsequent holder of the Bonds (including the Subsidiary Guarantees) by its acceptance of the Bonds will agree, that the Bonds (including the Subsidiary Guarantees) 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 the above cases in accordance with any applicable securities laws of any State of the United States; subject in each case to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws;

4. agree that it is a purchaser in a sale that occurs outside the United States in an offshore transaction within the meaning of Regulation S;

5. agree that it will inform each person to whom it transfers the Bonds of any restrictions on transfer of such Bonds;

6. understand that the Bonds will be represented by the Global Bonds and that transfers thereto are restricted as described under ''Description of the Bonds—Book entry; delivery and form'';

7. understand that each Note sold will bear a legend to the following effect unless otherwise agreed by the Company and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

THIS NOTE AND THE SUBSIDIARY GUARANTEES IN RESPECT HEREOF (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. 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; and

8. acknowledge that the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Bonds are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent and the Initial Purchaser. If it is acquiring any Bonds as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Ratings

We have been rated ''BB+'' with a positive outlook by Standard & Poor's Ratings Services, ''Baa3'' with a stable outlook by Moody's Investors Service and ''BBB-'' with a stable outlook by Fitch Ratings. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Bonds, on other of our securities, or on us.

Legal matters

Certain legal matters with respect to the Bonds will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law, Conyers Dill & Pearman as to matters of BVI law, Sidley Austin as to matters of United States federal, New York law and Hong Kong law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchaser by Milbank LLP as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

Independent auditor

Our consolidated financial statements as of and for each of the fiscal years ended 31 December 2019 and 2020 reproduced in this Offering Circular have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein.

The unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2021 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the Hong Kong Institute of Certified Public Accountants.

General Information

1. The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 243431301 and the International Securities Identification Number for the Bonds is XS2434313016.

2. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued on conversion of the Bonds. Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange.

3. Approval in-principle has been received from the SGX-ST for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only; and such permission is expected to become effective on or about 31 January 2022. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company or any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. Listing of the Bonds on the SGX-ST is conditional upon satisfaction of the requirements of such exchange.

For so long as the Bonds 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 such Bonds may be presented or surrendered for payment or redemption in the event that the Global Certificate is exchanged for Bonds in their definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in their definitive form, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

4. The Issuer and the Company have obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of their obligations under the Bonds and the Guarantee. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer passed on or about 20 January 2022. The giving of the relevant Guarantee by the Company was authorised by a resolution of the board of directors of the Company passed on or about 20 January 2022. The giving of the relevant Guarantees by each of the initial Subsidiary Guarantors was authorised by a resolution of the board of directors of each initial Subsidiary Guarantor on or about 20 January 2022.

5. Save as disclosed in this Offering Circular, there has been no material adverse change since 30 June 2021 (in the case of the Company and the Group) or the date of incorporation (in the case of the Issuer), in the financial or trading position, prospects or results of operations of the Issuer, the Company or the Group.

6. Save as disclosed in this Offering Circular, 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 Bonds or the Guarantees.

7. The consolidated financial statements of the Company for the years ended 2019 and 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their reports appearing herein.

8. Copies of the latest annual reports and interim reports of the Group may be downloaded free of charge from the website of the http://www.hkexnews.hk and copies of the memorandum and articles of association of the Issuer, the Trust Deed and the Agency Agreement will be made available for inspection, at the Company's principal office in Hong Kong (being Suite 1702, 17/F, Dina House, Ruttonjee centre, 11 Duddell Street, Central, Hong Kong) during normal business hours or at the principal office of the Trustee upon written notice and satisfactory proof of holding to the Trustee at all reasonable times during normal business hours, so long as any of the Bonds is outstanding.

Index to consolidated financial statements

Notes:

(1) The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 set out herein have been reproduced and page references are referred to pages set forth in such unaudited interim condensed consolidated financial information as appeared in our interim report for the six months ended 30 June 2021.

(2) The audited consolidated financial statements for the year ended 31 December 2020 set out herein have been reproduced and page references are referred to pages set forth in such financial statements. The independent auditor's report and the consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

(3) The audited consolidated financial statements for the year ended 31 December 2019 set out herein have been reproduced and page references are referred to pages set forth in such financial statements. The independent auditor's report and the consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2021 RMB million	Audited 31 December 2020 RMB million
Non-current assets			
Property, plant and equipment	7	**26,624**	26,345
Investment properties	7	**15,147**	15,659
Intangible assets		**1,408**	1,423
Right-of-use assets		**4,956**	4,858
Properties under development	8	**75,719**	106,696
Investments in joint ventures	9	**46,684**	41,011
Investments in associates	10	**21,923**	22,430
Financial assets at fair value through other comprehensive income		**3,775**	3,985
Derivative financial instruments		**18**	812
Trade and other receivables	11	**14,700**	13,968
Deferred income tax assets		**39,941**	36,466
		250,895	273,653
Current assets			
Properties under development	8	**1,055,306**	1,034,664
Completed properties held for sale		**60,762**	49,587
Inventories		**9,566**	10,907
Trade and other receivables	11	**391,410**	410,937
Contract assets and contract acquisition costs	12	**23,153**	21,960
Prepaid income tax		**24,785**	23,781
Restricted cash	13	**18,317**	16,470
Cash and cash equivalents	13	**167,921**	167,153
Financial assets at fair value through profit or loss	14	**15,232**	6,596
Derivative financial instruments		**116**	101
		1,766,568	1,742,156
Current liabilities			
Contract liabilities		**724,271**	695,614
Trade and other payables	15	**619,047**	660,293
Current income tax liabilities		**32,539**	39,519
Senior notes	16	**3,941**	2,219
Corporate bonds	17	**18,022**	25,784
Convertible bonds		**19**	20
Bank and other borrowings	18	**64,839**	68,218
Lease liabilities		**214**	208
Derivative financial instruments		**1,237**	1,084
Dividend payable	25	**5,508**	–
		1,469,637	1,492,959
Net current assets		**296,931**	249,197
Total assets less current liabilities		**547,826**	522,850

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2021 RMB million**	Audited 31 December 2020 RMB million
Non-current liabilities			
Senior notes	16	**71,017**	71,191
Corporate bonds	17	**19,892**	14,696
Convertible bonds		**5,350**	5,252
Bank and other borrowings	18	**141,155**	139,105
Lease liabilities		**504**	447
Deferred government grants		**238**	152
Deferred income tax liabilities		**30,406**	32,472
Derivative financial instruments		**1,588**	2,532
		270,150	265,847
Equity attributable to owners of the Company			
Share capital and premium	19	**31,611**	31,495
Other reserves	20	**15,667**	17,457
Retained earnings	20	**137,203**	126,150
		184,481	175,102
Non-controlling interests		**93,195**	81,901
Total equity		**277,676**	257,003
Total equity and non-current liabilities		**547,826**	522,850

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2021 RMB million	 2020 RMB million
Revenue	6	**234,930**	184,957
Cost of sales	22	**(188,646)**	(140,070)
Gross profit		**46,284**	44,887
Other income and gains — net	21	**1,739**	1,880
(Losses)/gains arising from changes in fair value of and transfers to investment properties	7	**(48)**	3
Selling and marketing costs	22	**(7,700)**	(6,894)
Administrative expenses	22	**(6,213)**	(6,574)
Research and development expenses	22	**(1,291)**	(1,030)
Net impairment losses on financial and contract assets		**(551)**	(854)
Operating profit		**32,220**	31,418
Finance income	23	**2,181**	2,508
Finance costs	23	**(278)**	(622)
Finance income — net	23	**1,903**	1,886
Share of results of joint ventures and associates	9, 10	**3,122**	2,583
Profit before income tax		**37,245**	35,887
Income tax expenses	24	**(14,825)**	(13,961)
Profit for the period		**22,420**	21,926
Profit attributable to:			
— Owners of the Company		**14,996**	14,132
— Non-controlling interests		**7,424**	7,794
		22,420	21,926
Earnings per share attributable to owners of the Company (expressed in RMB yuan per share)			
Basic	26	**0.69**	0.66
Diluted	26	**0.68**	0.63

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Profit for the period	**22,420**	21,926
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
— Changes in fair value of financial assets at fair value through other comprehensive income	**372**	(289)
— Revaluation gains on investment properties upon transfers from right-of-use assets	**27**	–
Items that may be reclassified to profit or loss:		
— Deferred gains/(losses) on cash flow hedges	**4**	(240)
— Deferred (costs)/gains of hedging	**(53)**	217
— Currency translation differences	**(416)**	112
Total other comprehensive loss for the period, net of tax	**(66)**	(200)
Total comprehensive income for the period	**22,354**	21,726
Total comprehensive income attributable to:		
— Owners of the Company	**14,926**	13,852
— Non-controlling interests	**7,428**	7,874
	22,354	21,726

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital and premium RMB million (note 19)	Other reserves RMB million (note 20)	Retained earnings RMB million (note 20)	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2021	31,495	17,457	126,150	175,102	81,901	257,003
Comprehensive income for the six months ended 30 June 2021						
Profit for the period	–	–	14,996	14,996	7,424	22,420
Other comprehensive income	–	(1,601)	1,531	(70)	4	(66)
Total comprehensive income for the six months ended 30 June 2021	–	(1,601)	16,527	14,926	7,428	22,354
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	4,758	4,758
Dividend	–	–	(5,508)	(5,508)	(1,632)	(7,140)
Employee share schemes						
– Value of employee services	–	207	–	207	–	207
– Exercise of employee share schemes	116	(20)	–	96	–	96
Non-controlling interests arising from business combinations (note 29)	–	–	–	–	191	191
Disposals of subsidiaries (note 28)	–	(31)	31	–	(685)	(685)
Changes in ownership interests in subsidiaries without change of control	–	(292)	–	(292)	1,234	942
Total transactions with owners	116	(136)	(5,477)	(5,497)	3,866	(1,631)
Other transaction						
Partial cancellation of written call options	–	(53)	3	(50)	–	(50)
Balance at 30 June 2021	31,611	15,667	137,203	184,481	93,195	277,676

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					
	Attributable to owners of the Company					
	Share capital and premium RMB million (note 19)	Other reserves RMB million (note 20)	Retained earnings RMB million (note 20)	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2020	29,751	12,472	109,716	151,939	66,669	218,608
Comprehensive income for the six months ended 30 June 2020						
Profit for the period	–	–	14,132	14,132	7,794	21,926
Other comprehensive income	–	(280)	–	(280)	80	(200)
Total comprehensive income for the six months ended 30 June 2020	–	(280)	14,132	13,852	7,874	21,726
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	1,063	1,063
Dividend	–	–	(7,492)	(7,492)	(218)	(7,710)
Employee share schemes						
– Value of employee services	–	216	–	216	–	216
– Exercise of employee share schemes	262	(9)	–	253	–	253
Non-controlling interests arising from business combinations	–	–	–	–	1,991	1,991
Disposals of subsidiaries	–	(91)	91	–	(341)	(341)
Changes in ownership interests in subsidiaries without change of control	–	(280)	–	(280)	(530)	(810)
Total transactions with owners	262	(164)	(7,401)	(7,303)	1,965	(5,338)
Balance at 30 June 2020	30,013	12,028	116,447	158,488	76,508	234,996

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30 June	
		2021	2020
	Note	**RMB million**	RMB million
Cash flows from operating activities			
Cash generated from operations		**47,308**	21,785
Income tax paid		**(27,596)**	(26,771)
Interest paid		**(9,333)**	(11,086)
Net cash generated from/(used in) operating activities		**10,379**	(16,072)
Cash flows from investing activities			
Net cash inflow on business combinations	29	**1,879**	2,885
Proceeds from disposals of property, plant and equipment		**128**	518
Net cash inflow/(outflow) on disposals of subsidiaries	28	**667**	(2,159)
Purchases of property, plant and equipment		**(1,169)**	(1,216)
Payments for investment properties		**(199)**	(21)
Purchases of intangible assets		**(203)**	(323)
Purchases of right-of-use assets		**(16)**	(16)
Net increase in payments related to investments in joint ventures		**(3,014)**	(2,227)
Net increase in payments related to investments in associates		**(186)**	(285)
Dividend income from joint ventures and associates	9, 10	**1,929**	66
Net increase in deposits and advances related to equity transactions		**(746)**	(2,781)
Repayments from loans to third parties		**–**	3
Payments for financial assets at fair value through other comprehensive income		**(1,572)**	(188)
Proceeds from disposals of financial assets at fair value through other comprehensive income		**2,268**	4
Payments for financial assets at fair value through profit or loss		**(9,515)**	(12,563)
Proceeds from disposals of financial assets at fair value through profit or loss		**1,970**	8,184
Interest received		**1,350**	2,245
Net cash used in investing activities		**(6,429)**	(7,874)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 June **2021** **RMB million**	 2020 RMB million
Cash flows from financing activities			
Capital injections from non-controlling interests		**4,758**	1,063
Net cash inflow/(outflow) from transactions with non-controlling interests		**942**	(810)
Issue of senior notes	16	**10,970**	10,675
Redemption and repayment of senior notes		**(8,885)**	(6,233)
Issue of corporate bonds		**6,476**	5,640
Repayment of corporate bonds		**(9,265)**	(2,700)
Settlement of derivative financial instruments		**(596)**	122
Repayments of receipts under securitisation arrangements		**–**	(279)
Payments for principal portion of leases		**(106)**	(163)
Dividends paid to non-controlling interests		**(1,632)**	(218)
Proceeds from bank and other borrowings		**69,622**	59,191
Repayments of bank and other borrowings		**(75,386)**	(102,641)
Net cash used in financing activities		**(3,102)**	(36,353)
Net increase/(decrease) in cash and cash equivalents		**848**	(60,299)
Cash and cash equivalents at the beginning of the period		**167,153**	248,985
Exchange (losses)/gains on cash and cash equivalents		**(80)**	93
Cash and cash equivalents at the end of the period		**167,921**	188,779

The above interim condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

Country Garden Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2006 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding,and the Company and its subsidiaries (collectively, the "Group") are principally engaged in the property development, construction, property investment and hotel operation businesses.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

This interim financial information is presented in Renminbi ("RMB"), unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 24 August 2021. This interim financial information has not been audited.

2 Basis of preparation

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. This interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2020 ("2020 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements under the Hong Kong Companies Ordinance, and any public announcements made by the Company during the interim reporting period.

3 Significant accounting policies

The accounting policies applied are consistent with those of the 2020 Financial Statements as described therein, except for the estimation of income tax and the adoption of new and amended standards.

Amendments to existing standards that are effective for the financial year beginning on 1 January 2021 and adopted by the Group for this period either do not have a material impact or are not relevant to the Group.

Except for Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, 'Interest rate benchmark reform — phase 2', which become effective this period, new and revised standards and amendments to existing standards that have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted:

		Effective for the financial year beginning on or after
Amendments to HKFRS 16	COVID-19-related rent concessions beyond June 30 2021	1 April 2021
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Annual Improvements	Annual improvements to HKFRS Standards 2018–2020 cycle	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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
HKFRS 17	Insurance contracts	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

None of these is expected to have a significant impact on the Group's accounting policies except for HKFRS 17. The Group will assess the impact of HKFRS 17 on the Group's accounting policies.

4 Judgements and estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2020 Financial Statements.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (mainly included foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 Financial Statements.

There have been no significant changes in any risk management policies since the last year end.

5.2 Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity 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 and included interest, if applicable.

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
Unaudited					
At 30 June 2021					
Senior notes	**6,691**	**12,203**	**47,911**	**25,884**	**92,689**
Corporate bonds	**18,672**	**11,870**	**9,192**	**164**	**39,898**
Convertible bonds	**282**	**282**	**6,401**	**–**	**6,965**
Bank and other borrowings	**75,332**	**81,695**	**66,478**	**3,748**	**227,253**
Trade and other payables (excluding other taxes payable and salaries payable)	**563,647**	**–**	**–**	**–**	**563,647**
Lease liabilities	**303**	**184**	**305**	**136**	**928**
Derivative financial instruments	**1,237**	**261**	**1,327**	**–**	**2,825**
Dividend payable	**5,508**	**–**	**–**	**–**	**5,508**
Total	**671,672**	**106,495**	**131,614**	**29,932**	**939,713**

5 Financial risk management *(Continued)*

5.2 Liquidity risk *(Continued)*

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
Audited					
At 31 December 2020					
Senior notes	5,079	14,932	41,455	30,674	92,140
Corporate bonds	26,897	5,873	9,767	189	42,726
Convertible bonds	285	285	6,617	–	7,187
Bank and other borrowings	79,227	81,399	62,324	6,555	229,505
Trade and other payables (excluding other taxes payable and salaries payable)	601,152	–	–	–	601,152
Lease liabilities	285	140	265	124	814
Derivative financial instruments	1,084	333	2,199	–	3,616
Total	714,009	102,962	122,627	37,542	977,140

5.3 Fair value estimation

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
At 30 June 2021				
Assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	**238**	**257**	**3,280**	**3,775**
Derivative financial instruments	**–**	**134**	**–**	**134**
Financial assets at fair value through profit or loss ("FVTPL")	**1,950**	**7,486**	**5,796**	**15,232**
Total	**2,188**	**7,877**	**9,076**	**19,141**
Liabilities				
Derivative financial instruments	**–**	**2,825**	**–**	**2,825**
At 31 December 2020				
Assets				
Financial assets at FVOCI	2,393	255	1,337	3,985
Derivative financial instruments	–	913	–	913
Financial assets at FVTPL	1,540	1,783	3,273	6,596
Total	3,933	2,951	4,610	11,494
Liabilities				
Derivative financial instruments	–	3,616	–	3,616

5 Financial risk management *(Continued)*

5.3 Fair value estimation *(Continued)*

The following table presents the changes in level 3 financial instruments for the period ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
At 1 January	**4,610**	3,219
Additions	**4,428**	1,619
Fair value changes	**680**	(352)
Disposals	**(34)**	(4)
Transfer to level 1 (note (b))	**(608)**	–
At 30 June	**9,076**	4,482

(a) There is no material unrealised gain or loss recognised in profit or loss in the current period (2020: no material unrealised gain or loss) attributable to balances held at the end of the reporting period.

There were no changes in valuation techniques during the period.

(b) The Group transferred its equity interest in a company since its listing from level 3 to level 1 as the shares of the company was actively traded during the period.

6 Revenue and segment information

The executive directors of the Company review the Group's internal reporting in order to assess segment performance and allocate resources. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors of the Company assessed the performance and operations of the Group and concluded that the Group only has two reportable segments — Property development and Construction. The Others segment mainly including property investment, hotel operation and others, such as smart construction, robotic catering, new retail and modern agriculture businesses, which are individually and collectively insignificant for segment reporting purposes.

The executive directors of the Company assess the performance of the operating segments based on a measure of operating profit, adjusted by excluding fair value changes on derivative financial instruments and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, right-of-use assets, investment properties, financial assets at FVOCI, financial assets at FVTPL, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid income tax, contract assets and contract acquisition costs and operating cash. They exclude derivative financial instruments and deferred income tax assets. Segment liabilities consist primarily of operating liabilities. They exclude current income tax liabilities, senior notes, corporate bonds, convertible bonds, bank and other borrowings, dividend payable, derivative financial instruments and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties, intangible assets and right-of-use assets, excluding those arising from business combinations.

Revenue consists of the following:

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Sales of properties	**227,899**	179,949
Rendering of construction services	**4,130**	3,219
Rental income	**374**	221
Others	**2,527**	1,568
	234,930	184,957

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

6 Revenue and segment information *(Continued)*

The segment information provided to the executive directors of the Company for the reportable segments is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Six months ended 30 June 2021				
Revenue from contracts with customers	**227,899**	**25,950**	**11,279**	**265,128**
— Recognised at a point in time	**183,714**	**–**	**10,408**	**194,122**
— Recognised over time	**44,185**	**25,950**	**871**	**71,006**
Revenue from other sources: rental income	**–**	**–**	**374**	**374**
Segment revenue	**227,899**	**25,950**	**11,653**	**265,502**
Inter-segment revenue	**–**	**(21,820)**	**(8,752)**	**(30,572)**
Revenue from external customers	**227,899**	**4,130**	**2,901**	**234,930**
Share of results of joint ventures and associates	**3,141**	**–**	**(19)**	**3,122**
Losses arising from changes in fair value of and transfers to investment properties	**–**	**–**	**(48)**	**(48)**
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	**297**	**20**	**926**	**1,243**
Net impairment losses on financial and contract assets	**508**	**9**	**34**	**551**
Segment results	**35,478**	**237**	**(347)**	**35,368**
At 30 June 2021				
Total segment assets after elimination of inter-segment balances	**1,822,966**	**32,918**	**121,504**	**1,977,388**
Investments in joint ventures and associates	**68,018**	**–**	**589**	**68,607**
Capital expenditure	**253**	**21**	**2,155**	**2,429**
Total segment liabilities after elimination of inter-segment balances	**1,228,496**	**28,366**	**87,412**	**1,344,274**

6 Revenue and segment information *(Continued)*

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Six months ended 30 June 2020				
Revenue from contracts with customers	179,949	19,442	9,547	208,938
— Recognised at a point in time	135,331	–	9,096	144,427
— Recognised over time	44,618	19,442	451	64,511
Revenue from other sources: rental income	–	–	232	232
Segment revenue	179,949	19,442	9,779	209,170
Inter-segment revenue	–	(16,223)	(7,990)	(24,213)
Revenue from external customers	179,949	3,219	1,789	184,957
Share of results of joint ventures and associates	2,616	–	(33)	2,583
Gains arising from changes in fair value of and transfers to investment properties	–	–	3	3
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	169	49	620	838
Net impairment losses on financial and contract assets	787	17	50	854
Segment results	34,870	110	(1,102)	33,878
At 31 December 2020				
Total segment assets after elimination of inter-segment balances	1,828,224	32,884	117,322	1,978,430
Investments in joint ventures and associates	63,244	–	197	63,441
Capital expenditure	994	290	3,883	5,167
Total segment liabilities after elimination of inter-segment balances	1,241,088	31,988	83,638	1,356,714

6 Revenue and segment information *(Continued)*

Reportable segment results are reconciled to profit before income tax as follows:

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Total segment results	**35,368**	33,878
Changes in fair value of derivative financial instruments	**(26)**	123
Finance income — net	**1,903**	1,886
Profit before income tax	**37,245**	35,887

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	30 June 2021	31 December 2020
	RMB million	RMB million
Total segment assets after elimination of inter-segment balances	**1,977,388**	1,978,430
Derivative financial instruments	**134**	913
Deferred income tax assets	**39,941**	36,466
Total assets	**2,017,463**	2,015,809
Total segment liabilities after elimination of inter-segment balances	**1,344,274**	1,356,714
Current income tax liabilities	**32,539**	39,519
Senior notes	**74,958**	73,410
Corporate bonds	**37,914**	40,480
Convertible bonds	**5,369**	5,272
Bank and other borrowings	**205,994**	207,323
Derivative financial instruments	**2,825**	3,616
Dividend payable	**5,508**	–
Deferred income tax liabilities	**30,406**	32,472
Total liabilities	**1,739,787**	1,758,806

7 Property, plant and equipment and investment properties

	Property, plant and equipment RMB million	Investment properties RMB million
Six months ended 30 June 2021		
Opening net book amount at 1 January 2021	**26,345**	**15,659**
Acquisition of subsidiaries (note 29)	**3**	**–**
Other additions	**1,749**	**199**
Transfer from right-of-use assets	**–**	**55**
Revaluation gains upon transfers	**–**	**27**
Fair value changes	**–**	**(48)**
Transfer to properties under development	**–**	**(745)**
Disposals of subsidiaries	**(88)**	**–**
Other disposals	**(142)**	**–**
Depreciation	**(1,106)**	**–**
Exchange differences	**(137)**	**–**
Closing net book amount at 30 June 2021	**26,624**	**15,147**

The Group's investment properties were valued at transfer or business acquisition dates, and at 30 June 2021 and 31 December 2020 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuer who hold recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

There were no changes to the valuation techniques during the period.

The Group's policy is to recognise change of fair value hierarchy levels as of the date of event or change in circumstances that caused the change. At 30 June 2021 and 31 December 2020, the Group only had investment properties measured at level 3 valuation.

8 Properties under development

	30 June 2021 RMB million	31 December 2020 RMB million
Properties under development expected to be completed and delivered:		
— Within one operating cycle included under current assets	**1,055,306**	1,034,664
— Beyond one operating cycle included under non-current assets	**75,719**	106,696
	1,131,025	1,141,360
Amounts comprise:		
— Construction costs including depreciation and staff cost capitalised	**560,627**	581,025
— Land costs	**544,593**	534,303
— Borrowings costs capitalised	**25,805**	26,032
	1,131,025	1,141,360

One operating cycle of the Group's property development generally ranges from one to two years.

At 30 June 2021, properties under development included the costs to fulfil those contracts, the revenue of which is recognised over time, amounting to RMB20,314 million (31 December 2020: RMB25,849 million).

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation for the six months ended 30 June 2021 was 5.76% per annum (six months ended 30 June 2020: 6.44% per annum). Most of the properties under development are located in Mainland China.

9 Investments in joint ventures

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
At 1 January	**41,011**	34,954
Additions	**5,620**	1,732
Disposals	**(686)**	(140)
Dividends	**(519)**	(42)
Share of results	**1,258**	893
— Gains arising from negative goodwill	**22**	–
— Others	**1,236**	893
At 30 June	**46,684**	37,397

The balance comprises the following:

	30 June	31 December
	2021	2020
	RMB million	RMB million
Unlisted investments		
— Share of net assets	**46,252**	40,579
— Notional goodwill	**432**	432
	46,684	41,011

Additions during the period mainly included the acquisitions of shares in a number of property development companies, the investments in a number of newly established property development companies together with certain third parties, and the investment in certain property development companies over which the Group lost control as a result of partial disposals of the Group's interests in these companies. None of the acquisitions was individually significant to the Group.

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with the Group to resolve liquidity issues or bring in industry expertise.

As at 30 June 2021, certain borrowings of joint ventures were guaranteed by the Group and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB4,607 million (31 December 2020: RMB4,293 million).

10 Investments in associates

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
At 1 January	**22,430**	17,159
Additions	**194**	691
Disposals	**(1,155)**	(1,387)
Dividends	**(1,410)**	(97)
Share of results	**1,864**	1,690
At 30 June	**21,923**	18,056

None of the acquisition during the period was individually significant to the Group.

As at 30 June 2021, certain borrowings of the Company and associates were guaranteed by the Group and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB362 million (31 December 2020: RMB1,186 million).

11 Trade and other receivables

	30 June	31 December
	2021	2020
	RMB million	RMB million
Included in current assets		
— Trade receivables — net (note (a))	**36,037**	35,742
— Other receivables — net (note (b))	**259,480**	272,910
— Loans to third parties — net	**11**	11
— Prepayments for land (note (c))	**55,594**	67,009
— Other prepayments (note (d))	**40,288**	35,265
	391,410	410,937
Included in non-current assets		
— Deposits for acquisitions of companies	**14,700**	13,968
	406,110	424,905

11 Trade and other receivables *(Continued)*

(a) Details of trade receivables are as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Trade receivables	**36,248**	35,955
Less: allowance for impairment	**(211)**	(213)
Trade receivables — net	**36,037**	35,742

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on property delivery date is as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Within 90 days	**31,137**	30,238
Over 90 days and within 180 days	**2,175**	2,593
Over 180 days and within 365 days	**2,341**	2,542
Over 365 days	**595**	582
	36,248	35,955

As at 30 June 2021 and 31 December 2020, trade receivables were mainly denominated in RMB.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of buyers. Trade receivables were collateralised by the titles of the properties sold.

11 Trade and other receivables *(Continued)*

(b) Details of other receivables are as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Amounts due from joint ventures, associates and other related parties	**85,919**	99,506
Land auction and other deposits	**11,633**	9,106
Others*	**167,271**	169,088
	264,823	277,700
Less: allowance for impairment	**(5,343)**	(4,790)
Other receivables — net	**259,480**	272,910

* These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group, which are mainly interest-free, unsecured and repayable according to contract terms.

(c) Prepayments for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 30 June 2021.

(d) Other prepayments mainly included prepaid value-added taxes and prepayments for purchases of construction materials and services.

12 Contract assets and contract acquisition costs

Details of contract assets and contract acquisition costs are as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Contract assets related to sales of properties	**7,432**	7,200
Contract assets related to construction services	**6,363**	6,067
Contract acquisition costs	**9,358**	8,693
Total contract assets and contract acquisition costs	**23,153**	21,960

13 Cash and cash equivalents

	30 June 2021 RMB million	31 December 2020 RMB million
Cash at banks and on hand	**186,238**	183,623
Less: restricted cash (note (a))	**(18,317)**	(16,470)
	167,921	167,153

(a) The balance mainly represented unreleased guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated bank accounts as at 30 June 2021 and at 31 December 2020, and will be released in accordance with certain construction progress milestones.

(b) Cash and bank deposits are denominated in the following currencies:

	30 June 2021 RMB million	31 December 2020 RMB million
RMB	**179,967**	178,231
HKD	**1,575**	1,220
USD	**1,272**	1,349
RM	**2,539**	2,245
Other currencies	**885**	578
	186,238	183,623

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

(c) As at 30 June 2021, the balance of guarantee deposits for construction of pre-sale properties included in cash and cash equivalents was approximately RMB59,361 million (31 December 2020: RMB51,064 million).

14 Financial assets at fair value through profit or loss

	30 June 2021 RMB million	31 December 2020 RMB million
Listed equity securities (note (a))	**1,950**	1,540
Unlisted equity investments (note (a))	**5,796**	3,273
Wealth management products (note (b))	**7,486**	1,783
	15,232	6,596

(a) The investments mainly represent listed and unlisted equity investments in various industries. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price, recent transaction prices of similar deals or valuation reports.

(b) Wealth management products are mainly investments in financial products issued by financial institutions. The carrying values of these investments approximated their fair values as at 30 June 2021 and 31 December 2020.

15 Trade and other payables

	30 June 2021 RMB million	31 December 2020 RMB million
Trade payables (note (a))	**355,606**	389,384
Other payables (note (b))	**208,041**	211,768
Other taxes payable (note (c))	**49,089**	49,275
Salaries payable	**6,311**	9,866
	619,047	660,293

(a) The ageing analysis of trade payables based on the date of the liability recognition on accrual basis is as follows:

	30 June 2021 RMB million	31 December 2020 RMB million
Within 365 days	**351,591**	385,232
Over 365 days	**4,015**	4,152
	355,606	389,384

(b) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are interest-free, unsecured and repayable according to contract terms.

(c) Other taxes payable mainly included output value-added taxes related to receipt in advance from customers amounted to approximately RMB71,376 million (31 December 2020: RMB68,578 million), value-added taxes payable and other taxes.

16 Senior notes

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
At 1 January	**73,410**	64,893
Additions (note (a))	**10,970**	10,675
Early redemption (note (a))	**(7,657)**	–
Repayment upon maturity (note (a))	**(950)**	(6,233)
Interest expenses	**2,142**	2,220
Coupon interest paid	**(2,118)**	(1,936)
Exchange differences	**(839)**	964
At 30 June	**74,958**	70,583
Less : current portion included in current liabilities	**(3,941)**	(7,430)
Included in non-current liabilities	**71,017**	63,153

(a) During the period, the Group has newly issued senior notes and repaid senior notes on maturity or before maturity as follows:

Name of notes	**Par value million**	**Interest rate**	**Issue date**	**Term of the notes**
Issued during the period:				
2026 Notes IV	USD500	2.700%	12 January 2021	5.5 years
2031 Notes	USD700	3.300%	12 January 2021	10 years
2025 Note IV - tranche II*	USD500	3.125%	18 May 2021	4.4 years
Repaid during the period on maturity:				
2021 Notes II	RMB950	5.800%	12 March 2018	3 years
Repaid during the period before maturity:				
2022 Notes III (note (i))	USD550	7.125%	25 January 2019	3 years
2023 Notes II (note (ii))	USD650	4.750%	28 September 2016	7 years

* 2025 Note IV — tranche II was consolidated and form a single series with the 2025 Note IV

16 Senior notes *(Continued)*

(i) On 5 February 2021 (the "Redemption Date I"), all the outstanding 2022 Notes III were early redeemed at a redemption price equal to 103.5625% of the principal amount thereof, plus accrued and unpaid interest of approximately USD1 million up to the Redemption Date I. The total redemption price paid by the Company on the Redemption Date I was approximately USD571 million. The excess of the redemption price over the carrying amount of the 2022 Notes III amounting to USD549 million (equivalent to approximately RMB3,545 million), on the Redemption Date I, which is approximately USD22 million (equivalent to approximately RMB141 million), was charged to profit or loss under 'finance income — net'.

(ii) On 11 June 2021 (the "Redemption Date II"), all the outstanding 2023 Notes II were early redeemed at a redemption price equal to 102.375% of the principal amount thereof, plus accrued and unpaid interest of approximately USD6 million up to the Redemption Date II. The total redemption price paid by the Company on the Redemption Date II was approximately USD672 million. The excess of the redemption price over the carrying amount of the 2023 Notes II amounting to USD651 million (equivalent to approximately RMB4,112 million) on the Redemption Date II, which is approximately USD21 million (equivalent to approximately RMB137 million), was charged to profit or loss under 'finance income — net'.

(b) As at 30 June 2021, all senior notes are listed on the Singapore Exchange Securities Trading Limited, and contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition date and at 30 June 2021 and 31 December 2020.

17 Corporate bonds

	Six months ended 30 June 2021 RMB million	2020 RMB million
At 1 January	**40,480**	46,400
Additions (note (a))	**6,476**	9,940
Repayment	**(9,265)**	(7,000)
Interest expenses	**961**	1,405
Coupon interest paid	**(653)**	(514)
Exchange differences	**(85)**	(17)
At 30 June	**37,914**	50,214
Less: current portion included in current liabilities	**(18,022)**	(29,202)
Included in non-current liabilities	**19,892**	21,012

(a) During the period, corporate bonds newly issued by the Group were listed as follows:

Name of bonds	Par value RMB million	Interest rate	Issue date	Term of the bonds
RMB corporate bonds of Giant Leap issued in 2021 — tranche I*	2,000	4.27%	8 January 2021	4 years
RMB medium-term notes of Giant Leap issued in 2021 — tranche I	1,000	4.70%	6 May 2021	4 years
RMB corporate bonds of Country Garden Property issued in 2021 — tranche I**	2,000	4.80%	12 March 2021	5 years
RMB corporate bonds of Country Garden Property issued in 2021 — tranche II**	1,100	4.80%	15 June 2021	5 years
RM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche VIII	158	3.75%	5 April 2021	1 year
RM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche IX	79	4.90%	4 May 2021	5 years
RM private corporate bonds of Malaysia Country Garden issued in 2021 — tranche VI	160	3.75%	4 March 2021	1 year

* The corporate bonds are listed on the Shanghai Stock Exchange.

** The corporate bonds are listed on the Shenzhen Stock Exchange.

(b) Certain corporate bonds issued by the Group contain a debt component, put option and coupon rate adjustment options. Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors of the Company consider that the fair values of the above put option and coupon rate adjustment options were insignificant on initial recognition date and at 30 June 2021 and 31 December 2020.

18 Bank and other borrowings

	30 June 2021 RMB million	31 December 2020 RMB million
Included in non-current liabilities:		
— Secured	**128,860**	121,768
— Unsecured	**64,161**	66,478
Less: current portion of non-current liabilities	**(51,866)**	(49,141)
	141,155	139,105
Included in current liabilities:		
— Secured	**5,696**	10,340
— Unsecured	**7,277**	8,737
Current portion of non-current liabilities	**51,866**	49,141
	64,839	68,218
Total bank and other borrowings	**205,994**	207,323

The Group's borrowings as at 30 June 2021 of RMB134,556 million (31 December 2020: RMB132,108 million) were secured by the Group's certain properties, right-of-use assets and equipment with total carrying values of RMB90,618 million (31 December 2020: RMB87,099 million), and/or equity investment interests.

The weighted average effective interest rate was 5.81% per annum for the six months ended 30 June 2021 (six months ended 30 June 2020: 6.45% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	30 June 2021 RMB million	31 December 2020 RMB million
RMB	**159,989**	159,982
HKD	**15,495**	16,543
USD	**22,733**	22,851
RM	**3,247**	3,397
Others	**4,530**	4,550
	205,994	207,323

19 Share capital and premium

	Number of ordinary shares million	Nominal value of ordinary shares HKD million	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million	Treasury shares RMB million	Group total RMB million
Authorised							
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021, HKD0.10 per share	100,000	10,000					
Issued and fully paid							
At 1 January 2020	21,845	2,184	2,050	30,053	32,103	(2,352)	29,751
Exercise of employee share schemes	28	3	2	217	219	43	262
At 30 June 2020	21,873	2,187	2,052	30,270	32,322	(2,309)	30,013
At 1 January 2021	**22,035**	**2,203**	**2,067**	**31,687**	**33,754**	**(2,259)**	**31,495**
Exercise of employee share schemes	**13**	**1**	**1**	**63**	**64**	**52**	**116**
At 30 June 2021	**22,048**	**2,204**	**2,068**	**31,750**	**33,818**	**(2,207)**	**31,611**

20 Other reserves and retained earnings

	Other reserves											
	Merger reserve RMB million	Statutory reserve RMB million	Share option reserve RMB million	FVOCI reserve RMB million	Translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2021	**(150)**	**17,699**	**1,424**	**1,088**	**(1,752)**	**869**	**(130)**	**686**	**(2,277)**	**17,457**	**126,150**	**143,607**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,996**	**14,996**
2020 final dividend (note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,508)**	**(5,508)**
Revaluation gains on investment properties upon transfers from right-of-use assets	**–**	**–**	**–**	**–**	**–**	**27**	**–**	**–**	**–**	**27**	**–**	**27**
Employee share schemes												
– Value of employee services	**–**	**–**	**207**	**–**	**–**	**–**	**–**	**–**	**–**	**207**	**–**	**207**
– Exercise of employee share schemes	**–**	**–**	**(20)**	**–**	**–**	**–**	**–**	**–**	**–**	**(20)**	**–**	**(20)**
Changes in fair value of financial assets at FVOCI	**–**	**–**	**–**	**372**	**–**	**–**	**–**	**–**	**–**	**372**	**–**	**372**
Disposals of financial assets at FVOCI	**–**	**–**	**–**	**(1,531)**	**–**	**–**	**–**	**–**	**–**	**(1,531)**	**1,531**	**–**
Partial cancellation of written call options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(53)**	**(53)**	**3**	**(50)**
Changes in ownership interests in subsidiaries without change of control	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(292)**	**(292)**	**–**	**(292)**
Currency translation differences	**–**	**–**	**–**	**–**	**(420)**	**–**	**–**	**–**	**–**	**(420)**	**–**	**(420)**
Disposals of subsidiaries	**–**	**(31)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**31**	**–**
Deferred gains on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**4**	**–**	**4**
Deferred costs of hedging	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(53)**	**–**	**(53)**	**–**	**(53)**
Balance at 30 June 2021	**(150)**	**17,668**	**1,611**	**(71)**	**(2,172)**	**896**	**(126)**	**633**	**(2,622)**	**15,667**	**137,203**	**152,870**
Balance at 1 January 2020	(150)	11,030	1,044	272	(1,101)	960	(15)	(157)	589	12,472	109,716	122,188
Profit for the period	–	–	–	–	–	–	–	–	–	–	14,132	14,132
2019 final dividend	–	–	–	–	–	–	–	–	–	–	(7,492)	(7,492)
Employee share schemes												
– Value of employee services	–	–	216	–	–	–	–	–	–	216	–	216
– Exercise of employee share schemes	–	–	(9)	–	–	–	–	–	–	(9)	–	(9)
Changes in fair value of financial assets at FVOCI	–	–	–	(289)	–	–	–	–	–	(289)	–	(289)
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	–	–	(280)	(280)	–	(280)
Currency translation differences	–	–	–	–	32	–	–	–	–	32	–	32
Disposals of subsidiaries	–	–	–	–	–	(91)	–	–	–	(91)	91	–
Deferred losses on cash flow hedges	–	–	–	–	–	–	(240)	–	–	(240)	–	(240)
Deferred gains of hedging	–	–	–	–	–	–	–	217	–	217	–	217
Balance at 30 June 2020	(150)	11,030	1,251	(17)	(1,069)	869	(255)	60	309	12,028	116,447	128,475

21 Other income and gains — net

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Other income		
— Management and other related service income	**494**	651
— Forfeiture income	**105**	113
— Government subsidy income	**182**	139
	781	903
Other gains		
— Gains arising from negative goodwill (note 29)	**131**	438
— Gains on disposals of subsidiaries (note 28)	**259**	256
— (Losses)/gains on disposals of property, plant and equipment	**(14)**	9
— Changes in fair value of financial assets at FVTPL	**1,091**	(136)
— Changes in fair value of derivative financial instruments	**(26)**	123
— Others	**(483)**	287
	958	977
Total other income and gains — net	**1,739**	1,880

22 Expenses by nature

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Cost of property sold and construction services	**186,463**	138,313
Employee benefit expenses	**7,953**	7,241
Advertising and promotion costs	**2,040**	1,945
Sales commission to agents	**1,968**	1,734
Other taxes and levies	**1,365**	1,434
Property management and other services expenses	**966**	594
Depreciation of property, plant and equipment	**972**	517
Donations	**277**	429
Depreciation of right-of-use assets	**142**	201
Amortisation of intangible assets	**129**	120
Others	**1,575**	2,040
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	**203,850**	154,568

23 Finance income — net

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Finance income:		
— Interest income on bank deposits and others	**1,350**	2,508
— Net foreign exchange gains	**831**	–
	2,181	2,508
Finance costs:		
— Interest expenses for bank borrowings, senior notes, corporate bonds and others	**(9,791)**	(12,398)
— Interest expenses for lease liabilities	**(20)**	(23)
	(9,811)	(12,421)
Less: amounts capitalised on qualifying assets	**9,811**	12,421
	–	–
— Net foreign exchange losses	**–**	(622)
— Early redemption costs of senior notes (note 16)	**(278)**	–
	(278)	(622)
Finance income — net	**1,903**	1,886

24 Income tax expenses

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Current income tax		
— Corporate income tax	**12,865**	11,149
— Land appreciation tax (note (c))	**7,392**	6,460
	20,257	17,609
Deferred income tax	**(5,432)**	(3,648)
	14,825	13,961

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2020:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

(b) The Mainland China corporate income tax rate is 25%.

(c) Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land and all property development expenditures.

(d) Withholding income tax is provided for dividend distributed and undistributed profit of the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

25 Dividends

On 24 August 2021, the Board declared an interim dividend of RMB20.98 cents per share for the six months ended 30 June 2021, totalling RMB4,717 million (2020 interim dividend: RMB20.55 cents per share, totalling RMB4,528 million) with the eligible shareholders being given an option to elect to receive such interim dividend all in new shares of the Company, or partly in new shares of the Company and partly in cash, or all in cash. This interim dividend has not been recognised as liabilities in this interim financial information.

The final dividend in respect of 2020 of RMB24.98 cents (equivalent to HKD30.40 cents) per share, totalling RMB5,508 million approved at the annual general meeting of the Company on 24 May 2021 has been paid partly in new shares of the Company and partly in cash in August 2021.

26 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 period, excluding ordinary shares purchased by the Group and held as treasury shares.

	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB million)	**14,996**	14,132
Weighted average number of ordinary shares in issue (million)	**21,763**	21,569
Earnings per share — Basic (RMB yuan per share)	**0.69**	0.66

(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. The Company had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call options. The convertible bonds are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options, awarded shares and written call options and conversion of convertible bonds. Written call options were excluded from the computation of diluted earnings per share as they are anti-dilutive for six months ended 30 June 2021.

	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB million)	**14,996**	14,132
Interest expense on convertible bonds (RMB million)	**301**	–
Profit attributable to owners of the Company used to determine diluted earnings per share (RMB million)	**15,297**	14,132
Weighted average number of ordinary shares in issue (million)	**21,763**	21,569
Adjustments — share options, awarded shares and convertible bonds (million)	**725**	723
Weighted average number of ordinary shares for diluted earnings per share (million)	**22,488**	22,292
Earnings per share — Diluted (RMB yuan per share)	**0.68**	0.63

27 Guarantees

	30 June 2021 RMB million	31 December 2020 RMB million
Guarantees in respect of mortgage facilities for certain property buyers (note (a))	**393,847**	381,302
Guarantees to joint ventures associates and other related parties in respect of liabilities (note (b))	**60,296**	64,603
	454,143	445,905

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon earlier of (i) issuance of the real estate ownership certificates which are generally available within three months after the buyers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

The Group considers that in case of default in payments by property buyers, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in this interim financial information for the guarantees.

(b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

28 Disposals of subsidiaries

During the period, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB million
Disposal considerations	
— Cash received	**1,264**
— Outstanding and included in other receivables	**667**
— Fair value of investments in joint ventures and associates upon transfers from subsidiaries	**1,013**
	2,944
Less:	
— Total net assets of subsidiaries disposed of	**(3,370)**
— Non-controlling interests disposed of	**685**
Gains on disposals	**259**
Cash proceeds from disposals, net of cash disposed of	
— Cash consideration received	**1,264**
— Less: cash and cash equivalents in the subsidiaries disposed of	**(597)**
Net cash inflow on disposals	**667**

29 Business combinations

Business combinations during the period mainly included the acquisitions of interest in various property development companies and acquisitions of additional interests in the joint ventures and associates which were further recognised as the Group's subsidiaries. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

The acquired companies' principal activities are property development and construction. The combined financial information of these acquired companies on the acquisition dates is summarised as follows:

	RMB million
Total consideration	
— Cash	**940**
— Fair value of investments in joint ventures and associates held before business combinations	**743**
	1,683
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**2,819**
Restricted cash	**110**
Property, plant and equipment	**3**
Properties under development and completed properties held for sale	**36,721**
Prepaid income tax	**1,578**
Contract assets and contract acquisition costs	**392**
Trade and other receivables	**17,938**
Deferred income tax assets	**485**
Bank and other borrowings	**(8,337)**
Trade and other payables	**(10,737)**
Contract liabilities	**(35,594)**
Current income tax liabilities	**(2,757)**
Deferred income tax liabilities	**(616)**
Total identifiable net assets	**2,005**
Non-controlling interests	**(191)**
Negative goodwill	**(131)**
	1,683
Inflow of cash to acquire business, net of cash acquired	
— Cash considerations	**(940)**
— Cash and cash equivalents in the subsidiaries acquired	**2,819**
Net cash inflow on acquisitions	**1,879**

29 Business combinations *(Continued)*

Gains arising from negative goodwill were mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The acquired businesses contributed total revenues of RMB16,884 million and net profit of RMB2,226 million to the Group for the period from their respective acquisition dates to 30 June 2021. Had these companies been consolidated from 1 January 2021, the interim condensed consolidated income statement for the six months ended 30 June 2021 would show pro-forma revenue of RMB235,013 million and profit for the period of RMB22,432 million.

30 Related party transactions

(a) Ultimate controlling shareholder

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

(b) Transactions with related parties

Saved as disclosed in other notes above, the Group had the following significant transactions with related parties during the period:

		Six months ended 30 June	
		2021	2020
		RMB million	RMB million
(i)	Entities controlled, jointly controlled or significantly influenced by certain shareholders, certain directors and/or their close family members:		
	Purchase of design service	**2,249**	1,460
	Construction service income	**9**	41
	Purchase of property management and related services	**966**	594
	Property lease income	**6**	–
	Other transactions	**204**	286
(ii)	Joint ventures:		
	Provision of guarantee in respect of borrowings	**52,157**	52,618
	Construction service income	**4,138**	2,334
	Other transactions	**673**	471
(iii)	Associates:		
	Provision of guarantee in respect of borrowings	**8,054**	16,186
	Construction service income	**655**	907
	Other transactions	**767**	595

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

30 Related party transactions *(Continued)*

(c) Key management compensation

Key management includes directors and chief executive officer of the Company.

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Salaries, bonus, share-based compensation expenses and other employee benefits	**159**	149

(d) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

	30 June 2021	31 December 2020
	RMB million	RMB million
(i) Entities controlled, jointly controlled or significantly influenced by certain shareholders, certain directors and/or their close family members:		
Trade and other receivables	**2,092**	2,214
Contract assets and contract acquisition costs	**20**	39
Trade and other payables	**4,695**	3,856
(ii) Joint ventures:		
Trade and other receivables	**70,389**	82,408
Contract assets and contract acquisition costs	**3,554**	3,158
Trade and other payables	**57,894**	57,607
(iii) Associates:		
Trade and other receivables	**21,004**	22,647
Contract assets and contract acquisition costs	**1,033**	1,039
Trade and other payables	**21,665**	25,251

The above balances due from/to related parties are mainly interest-free, unsecured and to be settled according to the contract terms.

(e) Senior notes

As at 30 June 2021, senior notes with principal amount of USD585 million (equivalent to approximately RMB3,779 million) (31 December 2020: USD591 million, equivalent to approximately RMB3,856 million) and USD30 million (equivalent to approximately RMB194 million) (31 December 2020: USD25 million, equivalent to approximately RMB163 million) and USD18 million (equivalent to approximately RMB116 million) (31 December 2020: USD18 million, equivalent to approximately RMB117 million) were held by Mr. YEUNG Kwok Keung, Mr. MO Bin and Ms. YANG Ziying respectively.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Country Garden Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 122 to 250, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- 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 cash flow statement 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.

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.

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Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of properties over time Refer to note 4 'Critical accounting estimates and judgements' and note 5 'Revenue and segment information' to the consolidated financial statements. Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2020, revenue of the Group from sales of properties was RMB449,341 million, of which RMB92,067 million was recognised on the over time basis. For all property sales, the Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.	To address this key audit matter, we performed audit procedures as follows: In assessing the appropriateness of management's judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have: (i) Understood and evaluated management's procedures in identifying sales contracts with or without right to payment. (ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. (iii) Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment. (iv) Assessed the competence, experience and objectivity of the legal counsel engaged by the management. In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have: (i) Compared the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology.

Key Audit Matter	How our audit addressed the Key Audit Matter
In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue from sales of properties over time is considered relatively higher due to uncertainty of significant assumptions used. Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.	(ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (iii) Challenged the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units. (iv) Challenged the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas. (v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management. (vi) Tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers. We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale Refer to note 4 'Critical accounting estimates and judgements', note 8 'Properties under development' and note 11 'Completed properties held for sale' to the consolidated financial statements. The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB1,141,360 million and RMB49,587 million respectively as at 31 December 2020, which in total accounted for approximately 59% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of NRV of properties under development and completed properties held for saleis is considered relatively higher due to uncertainty of significant assumptions used. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.	We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows: (i) Understood, evaluated and tested the internal controls over the assessment of NRV of properties under development and completed properties held for sale and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Compared the relevant PUD and PHS balances as at 31 December 2020, on a sample basis, against the result of management's NRV assessment made in the prior year to reconsider, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology. (iii) Tested management's key estimates, on a sample basis, for: • Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location. • Variable selling expenses which are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years. • Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

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 Audit Committee 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.

The Audit Committee is 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 RMB million	2019 RMB million
Non-current assets			
Property, plant and equipment	6	**26,345**	24,240
Investment properties	7	**15,659**	12,923
Intangible assets		**1,423**	745
Right-of-use assets		**4,858**	4,447
Properties under development	8	**106,696**	134,150
Investments in joint ventures	9(b)	**41,011**	34,954
Investments in associates	9(c)	**22,430**	17,159
Financial assets at fair value through other comprehensive income	10	**3,985**	3,282
Derivative financial instruments	20	**812**	2,648
Trade and other receivables	13	**13,968**	14,056
Deferred income tax assets	28	**36,466**	27,031
		273,653	275,635
Current assets			
Properties under development	8	**1,034,664**	810,300
Completed properties held for sale	11	**49,587**	45,781
Inventories	12	**10,907**	11,781
Trade and other receivables	13	**410,937**	438,195
Contract assets and contract acquisition costs	14	**21,960**	24,020
Prepaid income tax		**23,781**	24,712
Restricted cash	15	**16,470**	19,363
Cash and cash equivalents	16	**167,153**	248,985
Financial assets at fair value through profit or loss	17	**6,596**	7,933
Derivative financial instruments	20	**101**	447
		1,742,156	1,631,517
Current liabilities			
Contract liabilities	19	**695,614**	646,996
Trade and other payables	18	**660,293**	594,548
Receipts under securitisation arrangements		**–**	279
Current income tax liabilities		**39,519**	40,367
Senior notes	21	**2,219**	7,343
Corporate bonds	22	**25,784**	28,850
Convertible bonds	23	**20**	22
Bank and other borrowings	24	**68,218**	80,057
Lease liabilities		**208**	258
Derivative financial instruments	20	**1,084**	32
		1,492,959	1,398,752
Net current assets		**249,197**	232,765
Total assets less current liabilities		**522,850**	508,400

	Note	As at 31 December 2020 RMB million	2019 RMB million
Non-current liabilities			
Senior notes	21	**71,191**	57,550
Corporate bonds	22	**14,696**	17,550
Convertible bonds	23	**5,252**	5,495
Bank and other borrowings	24	**139,105**	172,736
Lease liabilities		**447**	651
Deferred government grants		**152**	215
Deferred income tax liabilities	28	**32,472**	32,763
Derivative financial instruments	20	**2,532**	2,832
		265,847	289,792
Equity attributable to owners of the Company			
Share capital and premium	25	**31,495**	29,751
Other reserves	27	**17,457**	12,472
Retained earnings	27	**126,150**	109,716
		175,102	151,939
Non-controlling interests		**81,901**	66,669
Total equity		**257,003**	218,608
Total equity and non-current liabilities		**522,850**	508,400

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 122 to 250 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf.

MO Bin
Director

YANG Ziying
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2020 RMB million	2019 RMB million
Revenue	5	**462,856**	485,908
Cost of sales	30	**(361,951)**	(359,271)
Gross profit		**100,905**	126,637
Other income and gains — net	29	**2,816**	3,288
Gains arising from changes in fair value of and transfer to investment properties	7	**13**	126
Selling and marketing costs	30	**(13,752)**	(16,365)
Administrative expenses	30	**(13,919)**	(17,538)
Research and development expenses	30	**(2,649)**	(1,973)
Net impairment losses on financial and contract assets	3(a)(iii)	**(1,449)**	(1,515)
Operating profit		**71,965**	92,660
Finance income	32	**7,344**	2,371
Finance costs	32	**(38)**	(1,200)
Finance income — net	32	**7,306**	1,171
Share of results of joint ventures and associates	9(b), 9(c)	**6,258**	5,108
Profit before income tax		**85,529**	98,939
Income tax expenses	33	**(31,411)**	(37,737)
Profit for the year		**54,118**	61,202
Profit attributable to:			
— Owners of the Company		**35,022**	39,550
— Non-controlling interests		**19,096**	21,652
		54,118	61,202
Earnings per share attributable to owners of the Company (expressed in RMB yuan per share)			
Basic	36	**1.62**	1.85
Diluted	36	**1.57**	1.79

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB million	2019 RMB million
Profit for the year		**54,118**	61,202
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
— Change in fair value of financial assets at fair value through other comprehensive income	27	**826**	195
— Revaluation gains on properties upon transfer from right-of-use assets		**–**	91
Items that may be reclassified to profit or loss:			
— Deferred losses on cash flow hedges	20(e)	**(115)**	(36)
— Deferred gains of hedging	20(e)	**843**	487
— Currency translation differences		**(753)**	(565)
Total other comprehensive income for the year, net of tax		**801**	172
Total comprehensive income for the year		**54,919**	61,374
Total comprehensive income attributable to:			
— Owners of the Company		**35,925**	39,749
— Non-controlling interests		**18,994**	21,625
		54,919	61,374

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 premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2020	29,751	12,472	109,716	151,939	66,669	218,608
Comprehensive income						
Profit for the year	–	–	35,022	35,022	19,096	54,118
Other comprehensive income	–	893	10	903	(102)	801
Total comprehensive income for the year	–	893	35,032	35,925	18,994	54,919
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	3,561	3,561
Transfer to statutory reserve	–	6,831	(6,831)	–	–	–
Issue of shares as a result of scrip dividend (notes 25, 34 and 35(d))	1,466	–	(1,466)	–	–	–
Cash dividends	–	–	(10,554)	(10,554)	(5,598)	(16,152)
Employee share schemes						
– Value of employee services (note 26)	–	405	–	405	–	405
– Exercise of employee share schemes (notes 25 and 27)	278	(25)	–	253	–	253
Non-controlling interests arising from business combinations (note 41)	–	–	–	–	2,694	2,694
Disposals of subsidiaries (note 40)	–	(253)	253	–	(3,278)	(3,278)
Changes in ownership interests in subsidiaries without change of control (note 39)	–	(2,866)	–	(2,866)	(1,141)	(4,007)
Total transactions with owners	1,744	4,092	(18,598)	(12,762)	(3,762)	(16,524)
Balance at 31 December 2020	31,495	17,457	126,150	175,102	81,901	257,003

	Attributable to owners of the Company					
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2019	27,881	8,247	85,202	121,330	52,078	173,408
Comprehensive income						
Profit for the year	–	–	39,550	39,550	21,652	61,202
Other comprehensive income	–	166	33	199	(27)	172
Total comprehensive income for the year	–	166	39,583	39,749	21,625	61,374
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	1,413	1,413
Transfer to statutory reserve	–	3,863	(3,863)	–	–	–
Issue of shares as a result of scrip dividend (notes 25 and 35(d))	2,048	–	(2,048)	–	–	–
Buy-back of shares (note 25)	(322)	–	–	(322)	–	(322)
Cash dividends	–	–	(9,468)	(9,468)	(2,598)	(12,066)
Employee share schemes						
– Value of employee services (note 26)	–	336	–	336	–	336
– Exercise of employee share schemes (notes 25 and 27)	144	(9)	–	135	–	135
Redemption of convertible bonds upon maturity	–	(220)	220	–	–	–
Non-controlling interests arising from business combinations	–	–	–	–	1,739	1,739
Disposals of subsidiaries	–	(90)	90	–	(6,765)	(6,765)
Changes in ownership interests in subsidiaries without change of control	–	179	–	179	(823)	(644)
Total transactions with owners	1,870	4,059	(15,069)	(9,140)	(7,034)	(16,174)
Balance at 31 December 2019	29,751	12,472	109,716	151,939	66,669	218,608

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2020 RMB million	2019 RMB million
Cash flows from operating activities			
Cash generated from operations	35(a)	**42,821**	79,036
Income tax paid		**(42,156)**	(41,041)
Interest paid		**(22,296)**	(23,329)
Net cash (used in)/generated from operating activities		**(21,631)**	14,666
Cash flows from investing activities			
Net cash inflow/(outflow) on business combinations	41	**3,619**	(972)
Proceeds from disposals of property, plant and equipment	35(b)	**565**	450
Net cash outflow on disposals of subsidiaries	40	**(4,073)**	(6,600)
Purchases of property, plant and equipment		**(2,998)**	(2,693)
Payments for investment properties	7	**(456)**	(341)
Purchases of intangible assets		**(580)**	(135)
Purchases of right-of-use assets		**(490)**	(1,274)
Net increase in payments related to investments in joint ventures		**(4,363)**	(3,533)
Net increase in payments related to investments in associates		**(2,199)**	(1,333)
Net increase in deposits and advances related to equity transactions		**(1,819)**	(8,514)
Repayments from loans to third parties		**3**	680
Payments for financial assets at fair value through other comprehensive income		**(521)**	(1,462)
Proceeds from disposals of financial assets at fair value through other comprehensive income		**427**	236
Payments for financial assets at fair value through profit or loss		**(16,235)**	(22,342)
Proceeds from disposals of financial assets at fair value through profit or loss		**18,652**	26,363
Dividend income from financial assets at fair value through other comprehensive income		**–**	8
Interest received	32	**4,102**	2,371
Dividend income from joint ventures and associates	9(b), 9(c)	**449**	–
Net cash used in investing activities		**(5,917)**	(19,091)

	Note	Year ended 31 December 2020 RMB million	2019 RMB million
Cash flows from financing activities			
Capital injections from non-controlling interests		**3,561**	1,413
Buy-back of shares	25	**–**	(322)
Net cash outflow on transactions with non-controlling interests		**(1,409)**	(644)
Issue of shares pursuant to share option scheme		**–**	135
Issue of senior notes	21	**24,131**	23,081
Redemption and repayment of senior notes		**(11,400)**	(1,723)
Issue of corporate bonds		**17,537**	11,743
Repayment of corporate bonds		**(23,421)**	(7,650)
Redemption of convertible bonds		**(245)**	(7,869)
Settlement of derivative financial instruments		**(646)**	(213)
Repayments of receipts under securitisation arrangements		**(279)**	(551)
Principal elements of lease payments		**(243)**	(252)
Dividends paid to owners of the Company		**(10,554)**	(9,468)
Dividends paid to non-controlling interests		**(5,598)**	(942)
Proceeds from bank and other borrowings	35(c)	**141,534**	112,046
Repayments of bank and other borrowings	35(c)	**(187,104)**	(93,527)
Net cash (used in)/generated from financing activities		**(54,136)**	25,257
Net (decrease)/increase in cash and cash equivalents		**(81,684)**	20,832
Cash and cash equivalents at the beginning of the year		**248,985**	228,343
Exchange losses on cash and cash equivalents		**(148)**	(190)
Cash and cash equivalents at the end of the year	16	**167,153**	248,985

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 General information

Country Garden Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2006 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 Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, construction, property investment and hotel operation.

The shares of the Company are listed on Stock Exchange.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2021.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and requirements under the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), derivative financial instruments and investment properties, which are carried at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Definition of a Business – Amendments to HKFRS 3
- Interest Rate Benchmark Reform – Amendments to HKAS 39, HKFRS 9 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

2 **Summary of significant accounting policies** *(Continued)*

2.1 Basis of preparation *(Continued)*

(iii) New and amended standards adopted by the Group *(Continued)*

The Group also elected to adopt the following amendment early:

- COVID-19-Related Rent Concessions – Amendments to HKFRS 16

The amendment listed above did not have a material impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

(iv) New, amended standards and interpretations not yet adopted

Except for the Amendment to HKFRS 16 which become effective this period, new and amended standards and interpretations to existing standards that have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted:

		Effective for the financial year beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 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 HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Annual Improvements	Annual improvements to HKFRS Standards 2018–2020 cycle	1 January 2022
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
HKFRS 17	Insurance contracts	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 above new and amended standards and interpretations to existing standards are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for HKFRS 17. The Group will assess the impact of HKFRS 17 on the Group's consolidated financial statements.

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.

(i) 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, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the 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.

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(i) Business combinations (Continued)

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 with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners 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.

(iii) Disposals 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 HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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. 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. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

- Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

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 profit or loss.

2.4 Joint arrangements

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. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

- Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

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. 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests 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. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2 **Summary of significant accounting policies** *(Continued)*

2.6 Foreign currency translation

(i) ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income — net '. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income — net', except when capitalised on the basis set out in note 2.26. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains — net'.

(iii) ***Group companies***

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income 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.

2 **Summary of significant accounting policies** *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. 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 profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–8 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 2.11).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains - net' in the consolidated income statement.

2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value.

2 Summary of significant accounting policies *(Continued)*

2.8 Investment properties *(Continued)*

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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2.9 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies *(Continued)*

2.9 Intangible assets *(Continued)*

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(iii) Research and development expenses

Research and development expenditures that do not meet the capitalised criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.10 Leases

Leases are recognised as a right-of-use asset 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 has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties 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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group 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 readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual 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.

2 Summary of significant accounting policies *(Continued)*

2.10 Leases *(Continued)*

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, e.g. 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and low-value assets leases 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. Low-value assets comprise IT equipment and small items of office furniture.

2.10 Leases *(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.

2.11 Impairment of non-financial assets

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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

(i) 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 ("OCI"), 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 OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies *(Continued)*

2.12 Financial assets *(Continued)*

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that 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.

- Fair value through other comprehensive income: 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 measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other income and gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

2.12 Financial assets *(Continued)*

(ii) Recognition and measurement *(Continued)*

Equity instruments

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 OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other income and gains — net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2.13 Impairment of financial assets and contract assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(a)(iii) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets and all trade and other receivables (excluding deposits for acquisitions of companies, prepayment and loans to third parties), the Group applies the simplified approach permitted by HKFRS 9 — Financial instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

2 **Summary of significant accounting policies** *(Continued)*

2.14 Derivative financial instruments and hedging activities *(Continued)*

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/(costs) — net'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in 'other income and gains-net'.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.17 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.18 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 **Summary of significant accounting policies** *(Continued)*

2.19 Trade and other receivables

Trade receivables are amounts due from buyers 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.20 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. 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 buyer as contract acquisition cost within contract assets if the Group expects to recover those costs.

2.21 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the owners of Company.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

2.24 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 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.

2.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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.

2.26 Borrowing costs

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 adjustments to interest costs include the interest rate differences 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.

2 Summary of significant accounting policies *(Continued)*

2.26 Borrowing costs *(Continued)*

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.27 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.28 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.29 Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

2.30 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company and its subsidiaries 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.

(ii) 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 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 date of statement of financial position 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 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 liabilities are 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 joint venture's or associate's undistributed profits is not recognised.

2 **Summary of significant accounting policies** *(Continued)*

2.30 Current and deferred income tax *(Continued)*

(ii) ***Deferred income tax*** *(Continued)*

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.

(iii) ***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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.31 Employee benefits

(i) ***Pension obligations***

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) ***Profit-sharing and bonus plans***

The Group recognises a liability and an expense for bonus and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.32 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);

2.32 Share-based payments *(Continued)*

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.33 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.

2 Summary of significant accounting policies *(Continued)*

2.33 Provisions and contingent liabilities *(Continued)*

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.

2.34 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision 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 the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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.

2.34 Revenue recognition *(Continued)*

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 buyer obtains control of the asset.

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

(i) Sales of properties and rendering of construction services

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at point in time.

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, by reference to the construction (excluding land cost and borrowing cost) costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For rendering of construction services, usually there is only one single performance in a contract, the Group's performance creates or enhances an asset or work in progress that the buyer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) Hotel operation

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

Revenue from other sources

Rental income

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

2 Summary of significant accounting policies *(Continued)*

2.35 Interest 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).

2.36 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property buyers and financial guarantee contracts provided to its related parties as insurance contracts.

3 Financial risk management

The Group conducts its operations mainly in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and debt financing to fund its operations. The Group has alternative plans (refer to note 3(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

3 **Financial risk management** *(Continued)*

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of its assets is denominated in RMB. The majority of its non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group applies various types of derivative financial instruments (foreign exchange forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives contracts) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the structure of the hedging activities, no significant ineffectiveness is expected at inception.

The aggregated carrying amount of the foreign currency denominated monetary assets and monetary liabilities of group companies at the respective dates of statement of financial position are as follows:

	2020 **RMB million**	2019 RMB million
Assets		
HKD	**953**	242
USD	**823**	2,626
Other currencies	**513**	314
	2,289	3,182
Liabilities		
HKD	**16,134**	14,070
USD	**92,521**	88,920
Other currencies	**3,711**	4,737
	112,366	107,727

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(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 monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on profit before tax for the year without taking into account the hedging effects would be as follows:

	Change of profit before tax — increase/(decrease)	
	2020	2019
	RMB million	RMB million
RMB against HKD:		
Strengthened by 5%	**759**	691
Weakened by 5%	**(759)**	(691)
RMB against USD:		
Strengthened by 5%	**4,585**	4,315
Weakened by 5%	**(4,585)**	(4,315)

(ii) ***Cash flow and fair value interest rate risk***

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, corporate bonds, convertible bonds, receipts under securitisation arrangements, bank and other borrowings and lease liabilities. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, corporate bonds, convertible bonds and receipts under securitisation arrangements issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration including refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for financial liabilities that represent the major interest-bearing positions.

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(ii) ***Cash flow and fair value interest rate risk*** *(Continued)*

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

The exposure of the Group's total borrowings (notes 21, 22, 23 and 24) and lease liabilities to interest rate changes and the contractual maturity dates of the total borrowings at the end of the year are as follows:

	2020 RMB million	2019 RMB million
Variable rate borrowings	**176,788**	215,175
Fixed rate borrowings and lease liabilities		
— repricing or maturity dates:		
1 year or less	**34,833**	48,792
1–2 years	**29,142**	36,348
2–5 years	**57,994**	49,197
Over 5 years	**28,383**	21,000
	327,140	370,512

As at 31 December 2020, borrowings of the Group which were bearing at floating rates amounted to approximately RMB176,788 million (2019: RMB215,175 million). As at 31 December 2020, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB884 million (2019: RMB1,076 million).

(iii) ***Credit risk***

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, derivative financial assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, derivative financial assets, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

To manage this risk, bank deposits and derivative financial instruments are mainly placed or entered with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 37. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of, a financial 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 forward-looking information. In particular, 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; and
- 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.

i. Loans to third parties

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the third parties are B as compared with the market ratings of similar companies by certain credit rating agencies.

A summary of the assumptions underlying the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Buyers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

i. Loans to third parties (Continued)

As at 31 December 2020 and 2019, the internal credit rating of loans to third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as securities against the loans.

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2020, the Group provided for credit losses against loans to third parties as follows:

Company internal credit rating	**External credit rating**	**Expected credit loss rate**	**Basis for recognition of expected credit loss provision**	**Basis for calculation of interest revenue**
Performing	**B**	**1%~12%**	**12 months expected losses**	**Gross carrying amount**

No significant change to estimation techniques or assumptions was made during the year.

As at 31 December 2020, the gross carrying amount of loans to third parties was RMB12 million (2019: RMB16 million). After deducting impairment provision of RMB1 million (2019: RMB2 million), the maximum exposure to loss was RMB11 million (2019: RMB14 million). The Group made no write-off of loans to third parties during the year (2019: nil).

ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and trade receivables.

The Group applies the 12 months expected losses approach to provide for expected credit losses prescribed by HKFRS 9 for other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties), and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties), and adjusts for forward looking macroeconomic data.

Expected loss rate of contract assets is assessed to be 0.1% (2019: 0.1%). As at 31 December 2020, the loss allowance provision for contract assets was not material.

ii. *Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets (Continued)*

As at 31 December 2020, the loss allowance provision was determined as follows:

2020

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	31,065	2,091	2,799	35,955
Loss allowance provision (RMB million)	31	42	140	213

Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	225,248	17,765	20,364	10,279	4,044	277,700
Loss allowance provision (RMB million)	225	178	2,036	1,542	809	4,790

2019

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	36,019	2,205	1,810	40,034
Loss allowance provision (RMB million)	36	44	91	171

Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	254,736	22,648	13,746	6,005	3,132	300,267
Loss allowance provision (RMB million)	255	226	1,375	901	626	3,383

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

ii. *Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets (Continued)*

As at 31 December 2020, the loss allowance provision for trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) RMB million	Total RMB million
Loss allowance as at 1 January 2019	127	1,905	2,032
Provision for loss allowance recognised in profit or loss during the year	44	1,478	1,522
Loss allowance as at 31 December 2019 and 1 January 2020	171	3,383	3,554
Provision for loss allowance recognised in profit or loss during the year	42	1,407	1,449
Loss allowance as at 31 December 2020	**213**	**4,790**	**5,003**

As at 31 December 2020, the gross carrying amount of trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) was RMB313,655 million (2019: RMB340,301 million) and the maximum exposure to loss was RMB308,652 million (2019: RMB336,747 million). The Group made no write-off of trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets during the year (2019: nil).

(iv) Liquidity risk

Management aims at maintaining sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2021. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2021 include: (1) construction payments match receipt of the relevant proceeds from pre-sales; (2) available project loan facility is expected to be no less than that of 2020; and (3) no breach of debt covenants is anticipated in 2021, as the management will closely monitor the compliance status of the covenants for all borrowings.

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 reducing the amount of acquisition of land, adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group will base on its assessment of the relevant future costs and benefits to pursue such options as appropriate. The directors of the Company consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the statement of financial position to the contractual maturity 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 and include interest, if applicable.

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iv) ***Liquidity risk*** *(Continued)*

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2020					
Senior notes	5,079	14,932	41,455	30,674	92,140
Bank and other borrowings	79,227	81,399	62,324	6,555	229,505
Corporate bonds	26,897	5,873	9,767	189	42,726
Convertible bonds	285	285	6,617	–	7,187
Trade and other payables (excluding other taxes payable and salaries payable)	601,152	–	–	–	601,152
Derivative financial instruments	1,084	333	2,199	–	3,616
Lease liabilities	285	140	265	124	814
Total	714,009	102,962	122,627	37,542	977,140

3 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iv) ***Liquidity risk*** *(Continued)*

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2019					
Senior notes	10,198	9,649	38,672	22,569	81,088
Bank and other borrowings	96,261	132,663	51,777	2,817	283,518
Corporate bonds	29,781	12,856	6,244	–	48,881
Convertible bonds	316	316	7,330	–	7,962
Receipts under securitisation arrangements	286	–	–	–	286
Trade and other payables (excluding other taxes payable and salaries payable)	532,772	–	–	–	532,772
Derivative financial instruments	32	44	2,788	–	2,864
Lease liabilities	310	182	267	454	1,213
Total	669,956	155,710	107,078	25,840	958,584

(b) **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back of shares, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including senior notes, corporate bonds, convertible bonds and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and restricted cash.

3 **Financial risk management** *(Continued)*

(b) **Capital management** *(Continued)*

The gearing ratio as at 31 December 2020 and 2019 were as follows:

	2020 RMB million	2019 RMB million
Total borrowings (notes 21, 22, 23 and 24)	**326,485**	369,603
Less: Cash and cash equivalents (note 16)	**(167,153)**	(248,985)
Restricted cash (note 15)	**(16,470)**	(19,363)
Net debt	**142,862**	101,255
Total equity	**257,003**	218,608
Gearing ratio	**56%**	46%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

(c) **Fair value estimation**

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

3 **Financial risk management** *(Continued)*

(c) **Fair value estimation** *(Continued)*

	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
At 31 December 2020				
Assets				
Financial assets at FVOCI	**2,393**	**255**	**1,337**	**3,985**
Derivative financial instruments	**–**	**913**	**–**	**913**
Financial assets at FVTPL	**1,540**	**1,783**	**3,273**	**6,596**
Total	**3,933**	**2,951**	**4,610**	**11,494**
Liabilities				
Derivative financial instruments	**–**	**3,616**	**–**	**3,616**

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2019				
Assets				
Financial assets at FVOCI	63	–	3,219	3,282
Derivative financial instruments	–	3,095	–	3,095
Financial assets at FVTPL	195	7,738	–	7,933
Total	258	10,833	3,219	14,310
Liabilities				
Derivative financial instruments	–	2,864	–	2,864

3 Financial risk management *(Continued)*

(c) Fair value estimation *(Continued)*

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market 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.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives contracts and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted by financial institutions.

For Level 2 financial assets at FVOCI and FVTPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2020 and 2019:

	2020 **RMB million**	2019 RMB million
Opening balance	**3,219**	1,702
Additions	**3,264**	1,462
Fair value changes	**(352)**	291
Disposals	**(701)**	(236)
Transfer to Level 1	**(820)**	–
Closing balance	**4,610**	3,219

There is no unrealised gain or loss recognised in profit or loss in the current year (2019: nil) attributable to balances held at the end of the reporting period.

The Group transferred its equity interest in two companies listed on the New York Stock Exchange (the "NYSE") from level 3 to level 1 as the shares of the two companies were actively traded during the year.

There were no changes in valuation techniques during the year.

3 **Financial risk management** *(Continued)*

(d) **Financial instruments by category**

	2020			
	Assets at FVOCI RMB million	**Assets at FVTPL RMB million**	**Assets at amortised cost RMB million**	**Total RMB million**
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	**3,985**	**–**	**–**	**3,985**
Trade and other receivables excluding deposits and prepayments	**–**	**–**	**308,663**	**308,663**
Restricted cash	**–**	**–**	**16,470**	**16,470**
Cash and cash equivalents	**–**	**–**	**167,153**	**167,153**
Derivative financial instruments	**–**	**913**	**–**	**913**
Financial assets at FVTPL	**–**	**6,596**	**–**	**6,596**
Total	**3,985**	**7,509**	**492,286**	**503,780**

	2019			
	Assets at FVOCI RMB million	Assets at FVTPL RMB million	Assets at amortised cost RMB million	Total RMB million
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	3,282	–	–	3,282
Trade and other receivables excluding deposits and prepayments	–	–	336,761	336,761
Restricted cash	–	–	19,363	19,363
Cash and cash equivalents	–	–	248,985	248,985
Derivative financial instruments	–	3,095	–	3,095
Financial assets at FVTPL	–	7,933	–	7,933
Total	3,282	11,028	605,109	619,419

3 **Financial risk management** *(Continued)*

(d) **Financial instruments by category** *(Continued)*

	2020		
	Liabilities at amortised cost RMB million	**Liabilities at FVTPL RMB million**	**Total RMB million**
Liabilities as per consolidated statement of financial position			
Senior notes	**73,410**	**–**	**73,410**
Convertible bonds	**5,272**	**–**	**5,272**
Corporate bonds	**40,480**	**–**	**40,480**
Bank and other borrowings	**207,323**	**–**	**207,323**
Trade and other payables (excluding other taxes payable and salaries payable)	**601,152**	**–**	**601,152**
Derivative financial instruments	**–**	**3,616**	**3,616**
Lease liabilities	**655**	**–**	**655**
Total	**928,292**	**3,616**	**931,908**

	2019		
	Liabilities at amortised cost RMB million	Liabilities at FVTPL RMB million	Total RMB million
Liabilities as per consolidated statement of financial position			
Senior notes	64,893	–	64,893
Convertible bonds	5,517	–	5,517
Corporate bonds	46,400	–	46,400
Bank and other borrowings	252,793	–	252,793
Trade and other payables (excluding other taxes payable and salaries payable)	532,772	–	532,772
Receipts under securitisation arrangements	279	–	279
Derivative financial instruments	–	2,864	2,864
Lease liabilities	909	–	909
Total	903,563	2,864	906,427

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the 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) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

4 **Critical accounting estimates and judgements** *(Continued)*

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The carrying amounts of properties under development and completed properties held for sale amounted to RMB1,141,360 million (2019: RMB944,450 million) and RMB49,587 million (2019: RMB45,781 million) respectively as at 31 December 2020, which in total accounted for approximately 59% (2019: 52%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2020.

(c) Current and deferred income tax

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

Deferred 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.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

5 Revenue and segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors of the Company assessed the performance and operations of the Group and concluded that the Group only has two reportable segments — Property development and Construction. The Others segment mainly includes property investment, hotel operation, smart construction, robotic catering, new retail, modern agriculture and other businesses which are individually and collectively insignificant for segment reporting purposes.

In 2020, the Group began to include the financial assets at FVOCI and financial assets at FVTPL into the segment assets. The segment information below at 31 December 2019 has been revised so that the segment disclosures are comparable.

The executive directors of the Company assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments, and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, right-of-use assets, investment properties, financial assets at FVOCI, financial assets at FVTPL, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid income tax, contract assets and contract acquisition costs and operating cash. They exclude derivative financial instruments and deferred income tax assets. Segment liabilities consist primarily of operating liabilities. They exclude receipts under securitisation arrangements, current income tax liabilities, senior notes, corporate bonds, convertible bonds, bank and other borrowings, derivative financial instruments and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), intangible assets and right-of-use assets, excluding those arising from business combinations.

5 **Revenue and segment information** *(Continued)*

Revenue consists of the following:

	2020 **RMB million**	2019 RMB million
Sales of properties	**449,341**	475,012
Rendering of construction services	**8,779**	6,219
Rental income	**526**	412
Rendering of hotel services and others	**4,210**	4,265
	462,856	485,908

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

5 **Revenue and segment information** *(Continued)*

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2020 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	449,341	51,806	26,836	527,983
— Recognised at a point in time	357,274	–	25,375	382,649
— Recognised over time	92,067	51,806	1,461	145,334
Revenue from other source				
— Rental income	–	–	537	537
Segment revenue	449,341	51,806	27,373	528,520
Inter-segment revenue	–	(43,027)	(22,637)	(65,664)
Revenue from external customers	449,341	8,779	4,736	462,856
Share of results of joint ventures and associates	6,335	–	(77)	6,258
Gains arising from changes in fair value of and transfer to investment properties	–	–	13	13
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	830	53	1,184	2,067
Net impairment losses on financial and contract assets	1,339	24	86	1,449
Segment results	79,977	385	(1,651)	78,711
At 31 December 2020				
Total segment assets after elimination of inter-segment balances	1,828,224	32,884	117,322	1,978,430
Investments in joint ventures and associates	63,244	–	197	63,441
Capital expenditure	994	290	3,883	5,167
Total segment liabilities after elimination of inter-segment balances	1,241,088	31,988	83,638	1,356,714

5 **Revenue and segment information** *(Continued)*

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	475,012	51,141	22,806	548,959
— Recognised at a point in time	378,450	–	20,851	399,301
— Recognised over time	96,562	51,141	1,955	149,658
Revenue from other source — Rental income	–	–	412	412
Segment revenue	475,012	51,141	23,218	549,371
Inter-segment revenue	–	(44,922)	(18,541)	(63,463)
Revenue from external customers	475,012	6,219	4,677	485,908
Share of results of joint ventures and associates	5,217	–	(109)	5,108
Gains arising from changes in fair value of and transfer to investment properties	–	–	126	126
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	750	50	748	1,548
Net impairment losses on financial and contract assets	1,396	31	88	1,515
Segment results	97,601	244	(385)	97,460
At 31 December 2019				
Total segment assets after elimination of inter-segment balances	1,721,377	37,801	117,848	1,877,026
Investments in joint ventures and associates	51,861	–	252	52,113
Capital expenditure	2,091	157	2,960	5,208
Total segment liabilities after elimination of inter-segment balances	1,120,310	30,489	91,869	1,242,668

5 Revenue and segment information *(Continued)*

Reportable segment results are reconciled to net profit as follows:

	2020 RMB million	2019 RMB million
Total segment results	**78,711**	97,460
Changes in fair value of derivative financial instruments	**(488)**	308
Finance income — net	**7,306**	1,171
Profit before income tax	**85,529**	98,939
Income tax expenses	**(31,411)**	(37,737)
Profit for the year	**54,118**	61,202

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2020 RMB million	2019 RMB million
Total segment assets after elimination of inter-segment balances	**1,978,430**	1,877,026
Derivative financial instruments	**913**	3,095
Deferred income tax assets	**36,466**	27,031
Total assets	**2,015,809**	1,907,152
Total segment liabilities after elimination of inter-segment balances	**1,356,714**	1,242,668
Receipts under securitisation arrangements	**–**	279
Current income tax liabilities	**39,519**	40,367
Senior notes	**73,410**	64,893
Corporate bonds	**40,480**	46,400
Convertible bonds	**5,272**	5,517
Bank and other borrowings	**207,323**	252,793
Derivative financial instruments	**3,616**	2,864
Deferred income tax liabilities	**32,472**	32,763
Total liabilities	**1,758,806**	1,688,544

6 Property, plant and equipment

	Buildings and land RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2020						
Opening net book amount	**17,275**	**865**	**388**	**561**	**5,151**	**24,240**
Acquisitions of subsidiaries (note 41)	**1,635**	**17**	**8**	**45**	**12**	**1,717**
Additions	**457**	**1,094**	**508**	**175**	**1,157**	**3,391**
Transfer	**2,547**	**–**	**–**	**–**	**(2,547)**	**–**
Disposals of subsidiaries	**(364)**	**(13)**	**(1)**	**(1)**	**(9)**	**(388)**
Other disposals	**(230)**	**(19)**	**(193)**	**(86)**	**–**	**(528)**
Depreciation	**(831)**	**(374)**	**(208)**	**(495)**	**–**	**(1,908)**
Exchange differences	**(98)**	**(13)**	**(19)**	**(4)**	**(45)**	**(179)**
Closing net book amount	**20,391**	**1,557**	**483**	**195**	**3,719**	**26,345**
At 31 December 2020						
Cost	**25,075**	**2,711**	**1,289**	**2,937**	**3,719**	**35,731**
Accumulated depreciation	**(4,684)**	**(1,154)**	**(806)**	**(2,742)**	**–**	**(9,386)**
Net book amount	**20,391**	**1,557**	**483**	**195**	**3,719**	**26,345**

6 **Property, plant and equipment** *(Continued)*

	Buildings and land RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2019						
Opening net book amount	15,988	617	659	987	5,170	23,421
Acquisitions of subsidiaries	124	3	5	67	56	255
Additions	118	496	18	107	1,954	2,693
Transfer	1,940	–	–	–	(1,940)	–
Disposals of subsidiaries	(273)	(8)	–	–	(115)	(396)
Other disposals	(73)	(35)	(96)	(174)	–	(378)
Depreciation	(601)	(217)	(202)	(445)	–	(1,465)
Exchange differences	52	9	4	19	26	110
Closing net book amount	17,275	865	388	561	5,151	24,240
At 31 December 2019						
Cost	20,550	1,603	1,650	2,725	5,151	31,679
Accumulated depreciation	(3,275)	(738)	(1,262)	(2,164)	–	(7,439)
Net book amount	17,275	865	388	561	5,151	24,240

6 **Property, plant and equipment** *(Continued)*

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated income statement respectively:

	2020 RMB million	2019 RMB million
Properties under development	**372**	366
Cost of sales	**562**	344
Selling and marketing costs	**194**	85
Administrative expenses and research and development expenses	**780**	670
	1,908	1,465

As at 31 December 2020, buildings with net book value of RMB2,589 million (2019: RMB3,338 million) were pledged as collateral for the Group's bank and other borrowings (note 24).

As at 31 December 2020, title certificates of buildings with net book value of RMB3,699 million (2019: RMB1,990 million) were still in the process of being obtained.

7 **Investment properties**

	2020 RMB million	2019 RMB million
At 1 January	**12,923**	16,435
Acquisitions of subsidiaries (note 41)	**165**	–
Transfer from properties under development and completed properties held for sale	**4,383**	1,278
Other additions	**456**	341
Transfer from right-of-use assets	**–**	153
Revaluation gains upon transfer from right-of-use assets	**–**	121
Revaluation gains upon transfer from properties under development and completed properties held for sale	**790**	340
Fair value changes	**(777)**	(214)
Transfer to properties under development	**(1,134)**	(1,655)
Disposals of subsidiaries	**(1,147)**	(3,876)
At 31 December	**15,659**	12,923
Gains arising from changes in fair value of and transfer to investment properties represent:		
— revaluation gains upon transfer of properties under development and completed properties held for sale	**790**	340
— fair value changes	**(777)**	(214)
	13	126

7 Investment properties *(Continued)*

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2020 and 2019, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2020 and 2019 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuer who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuer.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; or

(ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

(iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits.

There were no changes to the valuation techniques during the year.

7 **Investment properties** *(Continued)*

Valuation techniques *(Continued)*

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2020 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	14,532	Income capitalisation	The rate of return/ capitalisation rate	3.0%–6.0% per annum
			Monthly rental (RMB/square meter/ month)	46–248
		Direct comparison	Adjusted market price (RMB/square meter)	3,700–36,900
Investment properties under construction	1,127	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	170–2,100
			Remaining percentage to completion	6%–62%
			Anticipated developer's profit margin	15%–20%

7 **Investment properties** *(Continued)*

Valuation techniques *(Continued)*

Information about fair value measurements using significant unobservable inputs (level 3) *(Continued)*

	Fair value as at 31 December 2019 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	11,784	Income capitalisation	The rate of return/ capitalisation rate	3.0%–6.0% per annum
			Monthly rental (RMB/square meter/ month)	17–298
		Direct comparison	Adjusted market price (RMB/square meter)	3,700–36,800
Investment properties under construction	865	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	54–1,815
			Remaining percentage to completion	1%–29%
			Anticipated developer's profit margin	6%–20%
Investment properties as sublease	274	Income capitalisation	The rate of return	3.5% per annum
			Monthly rental (RMB/ square meter/month)	78–121

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

7 **Investment properties** *(Continued)*

Valuation techniques *(Continued)*

Amounts recognised in profit or loss for investment properties

	2020 RMB million	2019 RMB million
Rental income (note 5)	**526**	412
Direct operating expenses	**(230)**	(119)
	296	293

As at 31 December 2020, no investment properties (2019: RMB43 million) were pledged as collateral for the Group's bank and other borrowings (note 24).

Leasing arrangements

The investment properties are generally leased to tenants under operating leases with rentals payable monthly. There are no other variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 38(b).

8 **Properties under development**

	2020 RMB million	2019 RMB million
Properties under development expected to be completed and delivered:		
— Within one operating cycle included under current assets	**1,034,664**	810,300
— Beyond one operating cycle included under non-current assets	**106,696**	134,150
	1,141,360	944,450
Amounts comprise:		
— Construction costs including depreciation and staff cost capitalised	**581,025**	448,359
— Land costs	**534,303**	472,920
— Borrowing costs capitalised	**26,032**	23,171
	1,141,360	944,450

One operating cycle of the Group's property development generally ranges from one to two years.

At 31 December 2020, properties under development included the costs to fulfil those contracts, the revenue of which is recognised over time, amounting to RMB25,849 million (2019: RMB21,807 million).

8 **Properties under development** *(Continued)*

Cost of sales for the year included RMB9,684 million (2019: RMB10,986 million) of costs brought forward from prior year to fulfil those contracts revenue of which is recognised over time.

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation in 2020 was 6.35% per annum (2019: 6.65% per annum).

The properties under development of the Group are located in:

	2020 RMB million	2019 RMB million
Mainland China	**1,126,286**	923,942
United States	**4,376**	4,841
Malaysia	**2,033**	4,474
Australia	**2,358**	2,124
Indonesia	**2,068**	1,957
Hong Kong	**877**	4,107
Others	**3,362**	3,005
	1,141,360	944,450

As at 31 December 2020, land use rights included in properties under development of RMB83,000 million (2019: RMB86,736 million) were pledged as collateral for the Group's bank and other borrowings (note 24).

9(a) **Subsidiaries**

The principal subsidiaries at 31 December 2020 are listed in note 44.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

9(b) **Investments in joint ventures**

	2020 RMB million	2019 RMB million
At 1 January	**34,954**	27,891
Additions	**6,087**	7,478
Disposals	**(1,993)**	(3,196)
Dividends	**(327)**	–
Share of results	**2,290**	2,781
— Gains arising from negative goodwill	**–**	82
— Others	**2,290**	2,699
At 31 December	**41,011**	34,954

9(b) Investments in joint ventures *(Continued)*

The balance comprises the following:

	2020 RMB million	2019 RMB million
Unlisted investments		
— Share of net assets	**40,579**	34,512
— Goodwill	**432**	442
	41,011	34,954

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was individually significant to the Group. Summary of the acquisitions during the year is as follows:

Total identifiable net assets of joint ventures acquired

	RMB million
Assets	11,508
Liabilities	(11,309)
Total identifiable net assets	199

Reconciliation to the Group's interests in the joint ventures

	RMB million
Fair values of the consideration for the acquisitions	108
Fair values of the Group's share of identifiable net assets	(67)
Goodwill	41

9(b) Investments in joint ventures *(Continued)*

The goodwill arose from the acquisitions of certain property development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2020, certain borrowings of joint ventures were guaranteed by the Group (note 37) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB4,293 million (2019: RMB5,448 million). As at 31 December 2020, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2020 and 2019 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2020 RMB million	2019 RMB million
Carrying amount in the consolidated financial statements	**41,011**	34,954
Share of profit for the year	**2,290**	2,781
Share of total comprehensive income for the year	**2,290**	2,781

9(c) Investments in associates

	2020 RMB million	2019 RMB million
At 1 January	**17,159**	18,768
Additions	**2,884**	1,946
Disposals	**(1,459)**	(5,882)
Dividends	**(122)**	–
Share of results	**3,968**	2,327
— Gains arising from negative goodwill	**9**	–
— Others	**3,959**	2,327
At 31 December	**22,430**	17,159

9(c) Investments in associates *(Continued)*

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions during the year is as follows:

Total identifiable net assets of associates acquired

	RMB million
Assets	29,056
Liabilities	(12,293)
Total identifiable net assets	16,763

Reconciliation to the Group's interests in the associates

	RMB million
Fair values of the consideration for the acquisitions	669
Fair values of the Group's share of identifiable net assets	(678)
Negative goodwill	(9)

The negative goodwill was mainly resulted from the fact that the associates partners intended to cooperate with the Group to resolve liquidity issues or bring in industry expertise.

As at 31 December 2020, certain borrowings of associates were guaranteed by the Group (note 37) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB1,186 million (2019: RMB3,164 million).

9(c) **Investments in associates** *(Continued)*

The directors of the Company consider that none of the associates as at 31 December 2020 and 2019 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2020	2019
	RMB million	RMB million
Carrying amount in the consolidated financial statements	**22,430**	17,159
Share of profits for the year	**3,968**	2,327
Share of total comprehensive income for the year	**3,968**	2,327

10 Financial assets at fair value through other comprehensive income

	2020	2019
	RMB million	RMB million
Listed equity securities	**2,648**	595
Unlisted equity investments	**1,337**	2,687
	3,985	3,282

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price or recent transaction prices of similar deals.

11 Completed properties held for sale

	2020 RMB million	2019 RMB million
Completed properties held for sale	**49,587**	45,781

The completed properties held for sale are mainly located in Mainland China.

12 Inventories

	2020 RMB million	2019 RMB million
Construction materials and other inventories	**10,907**	11,781

Inventories were mainly charged to properties under development upon utilisation.

13 Trade and other receivables

	2020 RMB million	2019 RMB million
Included in current assets		
— Trade receivables — net (note (a))	**35,742**	39,863
— Other receivables — net (note (b))	**272,910**	296,884
— Loans to third parties — net (note (c))	**11**	14
— Prepayments for land (note (d))	**67,009**	49,597
— Other prepayments (note (e))	**35,265**	51,837
	410,937	438,195
Included in non-current assets		
— Deposits for acquisitions of companies (note (f))	**13,968**	14,056
	424,905	452,251

As at 31 December 2020, the carrying value of trade and other receivables approximated their fair value.

13 **Trade and other receivables** *(Continued)*

(a) Details of trade receivables are as follows:

	2020 **RMB million**	2019 RMB million
Trade receivables	**35,955**	40,034
Less: allowance for impairment	**(213)**	(171)
Trade receivables — net	**35,742**	39,863

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on property delivery date is as follows:

	2020 **RMB million**	2019 RMB million
Within 90 days	**30,238**	35,156
Over 90 days and within 180 days	**2,593**	2,558
Over 180 days and within 365 days	**2,542**	1,665
Over 365 days	**582**	655
	35,955	40,034

As at 31 December 2020 and 2019, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB213 million (2019: RMB171 million) was made against the gross amounts of trade receivables (note 3 (a)(iii)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of buyers. Trade receivables were collateralised by the titles of the properties sold.

13 Trade and other receivables *(Continued)*

(b) Details of other receivables are as follows:

	2020 **RMB million**	2019 RMB million
Amounts due from joint ventures, associates and other related parties	**99,506**	114,474
Land auction and other deposits	**9,106**	14,357
Others (i)	**169,088**	171,436
	277,700	300,267
Less: allowance for impairment	**(4,790)**	(3,383)
Other receivables — net	**272,910**	296,884

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are mainly interest-free, unsecured and repayable according to contract terms.

(c) As at 31 December 2020, loans to third parties bear interest at rates of 10% per annum (2019: 10% per annum), of which RMB12 million (2019: RMB16 million) were secured by certain properties and land use rights of the third parties.

	2020 **RMB million**	2019 RMB million
Loans to third parties	**12**	16
Less: allowance for impairment	**(1)**	(2)
Loans to third parties — net	**11**	14

(d) Prepayments for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2020.

(e) Other prepayments mainly included prepaid value-added taxes and prepayments for purchases of construction materials and services.

(f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

14 Contract assets and contract acquisition costs

Details of contract assets and contract acquisition costs are as follows:

	2020 RMB million	2019 RMB million
Contract assets related to sales of properties (note (i))	**7,200**	10,422
Contract assets related to construction services (note (i))	**6,067**	4,500
Contract acquisition costs (note (ii))	**8,693**	9,098
Total contract assets and contract acquisition costs	**21,960**	24,020

Notes:

(i) Contract assets consist of unbilled amount resulting from sale of properties and construction when revenue recognised exceeds the amount billed to the buyer.

(ii) Management expected the contract acquisition costs, represented primarily sale commission and stamp duty paid/payable for obtaining property sale contracts are recoverable. The Group has deferred them and will charge them to profit or loss when the related revenue is recognised. For the year ended 31 December 2020, the total amount charged to profit or loss was RMB4,196 million (2019: RMB3,717 million) and there was no impairment loss in relation to the remaining balance.

15 Restricted cash

The balance mainly represented unreleased guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated bank accounts as at 31 December 2020, and will be released in accordance with certain construction progress milestones.

16 Cash and cash equivalents

	2020 RMB million	2019 RMB million
Cash at banks and on hand	**183,623**	265,798
Short-term bank deposits	**–**	2,550
	183,623	268,348
Less: restricted cash (note 15)	**(16,470)**	(19,363)
	167,153	248,985

Cash and deposits are denominated in the following currencies:

	2020 RMB million	2019 RMB million
Denominated in RMB	**178,231**	259,193
Denominated in HKD	**1,220**	969
Denominated in USD	**1,349**	3,086
Denominated in RM	**2,245**	4,294
Denominated in other currencies	**578**	806
	183,623	268,348

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

As at 31 December 2020, the balance of guarantee deposits for construction of pre-sale properties included in cash and cash equivalents was approximately RMB51,064 million.

17 Financial assets at fair value through profit or loss

	2020 RMB million	2019 RMB million
Listed equity security (note (a))	**1,540**	195
Unlisted equity investments (note (a))	**3,273**	–
Wealth management products (note (b))	**1,783**	7,738
	6,596	7,933

(a) The investments mainly represent listed and unlisted equity investments in various industries. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price, recent transaction prices of similar deals or valuation reports.

(b) Wealth management products are mainly investments in financial products issued by financial institutions. The carrying values of these investments approximated their fair values as at 31 December 2020.

18 Trade and other payables

	2020 RMB million	2019 RMB million
Trade payables (note (a))	**389,384**	329,305
Other payables (note (b))	**211,768**	203,467
Other taxes payable (note (c))	**49,275**	51,427
Salaries payable	**9,866**	10,349
	660,293	594,548

As at 31 December 2020, the carrying amounts of trade and other payables approximated their fair values.

(a) The ageing analysis of trade payables based on the date of invoice is as follows:

	2020 RMB million	2019 RMB million
Within 90 days	**325,453**	274,669
Over 90 days and within 180 days	**52,330**	43,438
Over 180 days and within 365 days	**7,449**	7,273
Over 365 days	**4,152**	3,925
	389,384	329,305

18 Trade and other payables *(Continued)*

(b) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are mainly interest-free, unsecured and repayable according to contract terms.

(c) Other taxes payable mainly included output value-added taxes related to receipt in advance from customers amounted to approximately RMB68,578 million, value-added taxes payable and other taxes.

19 Contract liabilities

	2020 **RMB million**	2019 RMB million
Contract liabilities	**695,614**	646,996

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(a) Revenue recognised in relation to contract liabilities

	2020 **RMB million**	2019 RMB million
Revenue recognised that was included in the contract liability balance at the beginning of the year	**339,327**	337,873

20 Derivative financial instruments

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Qualified for hedge accounting				
— Foreign currency option contracts (note (a))	**40**	**432**	321	19
— Foreign exchange structured derivatives contracts (note (b))	**–**	**109**	314	10
— Foreign exchange forward contracts (note (c))	**–**	**1,159**	423	41
— Cross currency swaps (note (d))	**–**	**80**	42	–
Not qualified for hedge accounting				
— Foreign exchange forward contracts	**84**	**46**	81	20
— Foreign currency option contracts	**–**	**55**	10	7
— Cross currency swaps	**52**	**8**	65	11
— Interest rate swaps	**–**	**164**	–	–
Others				
— Embedded financial derivative of convertible bonds (note 23)	**–**	**1,563**	–	2,756
— Purchased call options (note (f))	**737**	**–**	1,839	–
	913	**3,616**	3,095	2,864
Analysed as:				
Current	**101**	**1,084**	447	32
Non-current	**812**	**2,532**	2,648	2,832
	913	**3,616**	3,095	2,864

The total notional principal amounts of the derivative financial instruments for hedging purpose at 31 December 2020 were RMB74,620 million (2019: RMB87,936 million), of which RMB61,401 million (2019: RMB70,286 million) were qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2021 to 2026 (2019: 2020 to 2026).

20 Derivative financial instruments *(Continued)*

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

(a) Derivative financial instruments — foreign currency option contracts

	2020	2019
Carrying amount (RMB million)	**(392)**	302
Notional amount (RMB million)	**29,395**	23,218
Maturity date	**13 January 2021 to 11 December 2026**	8 January 2020 to 11 December 2026
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**(851)**	210
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**894**	(94)
Strike rate (USD:RMB range)	**6.5800–7.1250**	6.4800–7.0490

(b) Derivative financial instruments — foreign exchange structured derivatives contracts (note (i))

	2020	2019
Carrying amount (RMB million)	**(109)**	304
Notional amount (RMB million)	**3,654**	11,650
Maturity date	**22 July 2022 to 25 July 2022**	9 March 2020 to 25 July 2022
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**(393)**	117
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**399**	(173)
Strike rate (USD:RMB range)	**6.6250–6.8000**	6.4930–6.9370

(i) Foreign exchange structured derivatives contracts are cross-currency swaps with options against exchange rate risk of interest and principal repayment.

(c) Derivative financial instruments — Foreign exchange forward contracts

	2020	2019
Carrying amount (RMB million)	**(1,159)**	382
Notional amount (RMB million)	**26,586**	31,943
Maturity date	**13 January 2021 to 17 January 2025**	24 September 2020 to 12 April 2023
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**(1,964)**	273
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**1,927**	(286)
Strike rate (USD:RMB range)	**6.6000–7.0960**	6.6000–7.0960
Strike rate (HKD:RMB range)	**0.9010**	0.9010

(d) Derivative financial instruments — Cross currency swaps

	2020	2019
Carrying amount (RMB million)	**(80)**	42
Notional amount (RMB million)	**1,766**	3,475
Maturity date	**19 October 2021**	7 December 2020 to 19 October 2021
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**(261)**	168
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**233**	(149)
Strike rate (HKD:RMB range)	**0.8600–0.8760**	0.8600–0.8790

* The foreign currency option contracts, foreign exchange structured derivatives contracts, foreign exchange forward contracts and cross currency swap are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

20 Derivative financial instruments *(Continued)*

(e) Reserves

	2020 RMB million	2019 RMB million
Cash flow hedge reserve		
At 1 January	**(15)**	21
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	**(3,469)**	768
Reclassified to profit or loss	**3,354**	(804)
At 31 December	**(130)**	(15)

	2020 RMB million	2019 RMB million
Deferred costs of hedging reserve — deferred time value		
At 1 January	**(157)**	(644)
Gains of hedging deferred for the year	**433**	60
Reclassified to profit or loss	**410**	427
At 31 December	**686**	(157)

(f) In November 2018, the Group entered into call option transactions involving: i) the sale of call options by certain third parties to the Group with a strike price equal to the conversion price of the 2023 Convertible Bonds at a total premium of approximately HKD2,793 million (the "Purchased Call Options"); and ii) the sale of call options by the Group to certain third parties with a strike price of HKD17.908 (subsequent adjusted to HKD16.94) at a total premium of approximately HKD1,528 million (the "Written Call Options"). The Purchased Call Options and the Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Group is required to make in excess of the principal amount of the 2023 Convertible Bonds being converted, as the case may be. The Purchased Call Options and the Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of ordinary shares of the Company underlying the 2023 Convertible Bonds. The premium paid for the Purchased Call Options and the premium received and receivable for the Written Call Options are accounted for as derivative financial assets and other reserve within equity (note 27) respectively in the consolidated statement of financial position.

21 Senior notes

	2020 RMB million	2019 RMB million
At 1 January	**64,893**	41,716
Additions (note (a))	**24,131**	23,081
Early redemption (note (a))	**(5,151)**	–
Repayment on maturity (note (a))	**(6,233)**	(1,723)
Interest expenses	**4,398**	3,909
Coupon interest paid	**(3,735)**	(3,361)
Currency translation differences	**(4,893)**	1,271
At 31 December	**73,410**	64,893
Less : current portion included in current liabilities	**(2,219)**	(7,343)
Included in non-current liabilities	**71,191**	57,550

Senior notes were repayable as follows:

	2020 RMB million	2019 RMB million
Within 1 year	**2,219**	7,343
Between 1 and 2 years	**10,881**	6,072
Between 2 and 5 years	**33,014**	31,009
Over 5 years	**27,296**	20,469
	73,410	64,893

21 Senior notes *(Continued)*

(a) The Group has issued the following senior notes:

Name of notes	Par value Million	Interest rate	Issue date	Term of the notes
Carried forward from prior years and remained outstanding at 31 December 2020:				
2023 Notes II	USD650	4.750%	28 September 2016	7 years
2026 Notes	USD350	5.625%	15 December 2016	10 years
2022 Notes	USD700	4.750%	25 July 2017	5 years
2023 Notes III — tranche I	USD250	4.750%	17 January 2018	5 years
2023 Notes III — tranche II *	USD375	4.750%	31 July 2018	4.5 years
2025 Notes — tranche I	USD600	5.125%	17 January 2018	7 years
2025 Notes — tranche II **	USD150	5.125%	4 September 2018	6.4 years
2021 Notes II	RMB950	5.800%	12 March 2018	3 years
2022 Notes II	USD425	7.125%	27 September 2018	3.5 years
2024 Notes — tranche I	USD550	8.000%	27 September 2018	5.5 years
2022 Notes III	USD550	7.125%	25 January 2019	3 years
2024 Notes — tranche II ***	USD450	8.000%	25 January 2019	5 years
2024 Notes II	USD550	6.500%	8 April 2019	5 years
2026 Notes II — tranche I	USD950	7.250%	8 April 2019	7 years
2026 Notes II — tranche II ****	USD400	7.250%	18 July 2019	6.7 years
2025 Notes II	USD500	6.150%	17 September 2019	6 years
Issued during the year:				
2027 Notes	USD550	5.125%	14 January 2020	7 years
2030 Notes	USD450	5.625%	14 January 2020	10 years
2025 Notes III	USD544	5.400%	27 May 2020	5 years
2026 Notes III	USD500	4.200%	6 August 2020	5.5 years
2030 Notes II	USD500	4.800%	6 August 2020	10 years
2025 Notes IV	USD500	3.125%	22 October 2020	5 years
2030 Notes III	USD500	3.875%	22 October 2020	10 years
Repaid during the year on maturity or before maturity:				
2020 Notes	USD900	7.500%	9 March 2015	5 years
2021 Notes	USD750	7.250%	4 October 2013	7.5 years

21 **Senior notes** *(Continued)*

* 2023 Notes III — tranche II was consolidated and form a single series with the 2023 Notes III — tranche I.

** 2025 Notes — tranche II was consolidated and form a single series with the 2025 Notes — tranche I.

*** 2024 Notes — tranche II was consolidated and form a single series with the 2024 Notes — tranche I.

**** 2026 Notes II — tranche II was consolidated and form a single series with the 2026 Notes II — tranche I.

(i) The weighted average effective interest rate of the senior notes is 6.08% (2019: 7.45%).

(b) As at 31 December 2020, all senior notes are listed on SGX, and contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2020 and 2019.

The holders of the 2026 Notes have a put option to request the Company to repurchase the 2026 Notes on 15 December 2021 at the price equal to 100% of the principle amounts of the 2026 Notes. The directors of the Company consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2020 and 2019.

The fair values of the senior notes at 31 December 2020 were approximately RMB77,724 million (2019: RMB67,759 million). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position as they are listed on SGX and the fair value measurement is categorised within level 1 of the fair value hierarchy.

(c) The Group's senior notes are guaranteed by certain subsidiaries of the Group and are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2020, none of these covenants had been breached.

22 Corporate bonds

	2020 RMB million	2019 RMB million
At 1 January	**46,400**	41,908
Additions (note (a))	**22,155**	11,743
Repayment	**(28,039)**	(7,650)
Interest expenses	**2,723**	2,928
Coupon interest paid	**(2,691)**	(2,566)
Currency translation differences	**(68)**	37
At 31 December	**40,480**	46,400
Less : current portion included in current liabilities	**(25,784)**	(28,850)
Included in non-current liabilities	**14,696**	17,550

The Group's corporate bonds are repayable as follows:

	2020 RMB million	2019 RMB million
Within 1 year	**25,784**	28,850
Between 1 and 2 years	**5,226**	11,884
Between 2 and 5 years	**9,308**	5,666
Over 5 years	**162**	–
	40,480	46,400

22 Corporate bonds *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2020:

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB corporate bonds tranche I of the Company issued in 2016*	3,775	6.30%	2 March 2020	1 year
RMB corporate bonds tranche III of the Company issued in 2016	510	5.60%	2 August 2019	2 years
RMB corporate bonds tranche IV of the Company issued in 2016 — series II (note (c))	5,830	5.65%	2 September 2016	7 years
RMB corporate bonds of Giant Leap issued in 2016 — series II (notes (b) and (c))	2,000	3.90%	21 October 2016	7 years
RMB private corporate bonds of Giant Leap issued in 2019 — tranche I (notes (b))*	1,765	4.30%	26 April 2020	1 year
RMB Ultra-short-term financing bonds of Giant Leap issued in 2020 — tranche I (notes (b))	200	3.00%	23 April 2020	270 days
RMB Ultra-short-term financing bonds of Giant Leap issued in 2020 — tranche II (notes (b))	2,000	3.94%	28 July 2020	270 days
RMB Ultra-short-term financing bonds of Giant Leap issued in 2020 — tranche III (notes (b))	800	3.62%	19 August 2020	270 days
RMB corporate bonds of Giant Leap issued in 2020 - tranche I (notes (b) and (c))	2,000	4.28%	15 September 2020	4 years
RMB corporate bonds of Giant Leap issued in 2020 — tranche II (notes (b) and (c))	2,000	4.64%	23 November 2020	4 years
RMB private corporate bonds of Country Garden Property issued in 2018 — tranche I*	318	6.60%	16 November 2020	1 year
RMB private house leasing bonds of Country Garden Property issued in 2019 — tranche I (note (c))	567	5.95%	1 April 2019	4 years

22 Corporate bonds *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2020: *(Continued)*

Name of bond	**Par value** RMB million	**Interest rate**	**Issue date**	**Term of the bond**
RMB corporate bonds of Country Garden Property issued in 2019 — tranche I (note (c))	590	5.03%	2 April 2019	5 years
RMB corporate bonds of Country Garden Property issued in 2019 — tranche II (note (c))	2,210	5.14%	1 August 2019	4 years
RMB private bonds of Country Garden Property issued in 2019 — tranche I (note (c))	1,850	6.80%	26 September 2019	4 years
RMB corporate bonds of Country Garden Property issued in 2019 — tranche III (note (c))	3,000	4.98%	20 November 2019	4 years
RMB corporate bonds of Country Garden Property issued in 2020 — tranche I (note (c))	3,400	4.20%	1 April 2020	5 years
RMB corporate bonds of Country Garden Property issued in 2020 — tranche II (note (c))	1,360	4.19%	7 July 2020	5 years
RMB corporate bonds of Country Garden Property issued in 2020 — tranche III (note (c))	2,000	4.38%	24 September 2020	5 years
RMB corporate bonds of Country Garden Property issued in 2020 — tranche IV (note (c))	1,778	4.15%	3 November 2020	5 years
RM private corporate bonds of Malaysia Country Garden issued in 2018 (note (b))	325	6.60%	23 February 2018	5 years
RM private corporate bonds of Malaysia Country Garden issued in 2019 - tranche III (note (b))	213	6.40%	18 March 2019	3 years
RM private corporate bonds of Malaysia Country Garden issued in 2019 — tranche IV (note (b))	116	6.40%	8 May 2019	3 years
RM private corporate bonds of Malaysia Country Garden issued in 2020 — tranche V (note (b))	166	5.70%	2 March 2020	7 years
RM private corporate bonds of Malaysia Country Garden issued in 2020 — tranche VI (note (b))	166	4.75%	2 March 2020	1 year

22 Corporate bonds *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2020: *(Continued)*

Name of bond	**Par value** RMB million	**Interest rate**	**Issue date**	**Term of the bond**
RM private corporate bonds of Malaysia Country Garden issued in 2020 — tranche VII (note (b))	481	5.25%	27 March 2020	5 years
THB private corporate bonds of Risland (Thailand) Company Limited issued in 2019 (notes (b))	334	4.75%	24 July 2019	3 years

* Refinanced during the year.

The weighted average effective interest rate of the corporate bonds is 5.10% (2019: 6.09%).

(b) The corporate bonds issued by Giant Leap, Malaysia Country Garden and Risland (Thailand) Company Limited were guaranteed by certain subsidiaries of the Group.

(c) RMB corporate bonds tranche IV of the Company issued in 2016 — series II, RMB corporate bonds of Giant Leap issued in 2016 — series II, RMB corporate bonds of Giant Leap issued in 2020 — tranche I, RMB corporate bonds of Giant Leap issued in 2020 — tranche II and RMB corporate bonds issued in 2019 and 2020 by Country Garden Property contain a debt component, put options and coupon rate adjustment options.

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors of the Company consider that the fair values of the above put options and coupon rate adjustment options were insignificant on initial recognition and at 31 December 2019 and 2020.

(d) Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liabilities of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2020 were RMB41,131 million (2019: RMB47,818 million). Except for RMB private corporate bonds issued by Giant Leap and Country Garden Property in 2019 and 2020, all RMB public corporate bonds issued by Giant Leap and Country Garden Property in 2019 and 2020 are categorised within level 1 of the fair value hierarchy as they are listed on the Shanghai Stock Exchange and National Association of Financial Market Institutional Investors. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

23 Convertible bonds

On 16 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600 million (equivalent to approximately RMB12,634 million) due 27 January 2019 (the "2019 Convertible Bonds"). The Group has redeemed all of the outstanding 2019 Convertible Bonds upon maturity.

On 21 November 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD7,830 million (equivalent to approximately RMB6,868 million) due 5 December 2023 (the "2023 Convertible Bonds"), with an initial conversion price of HKD12.584 per share. On 5 December 2018, the 2023 Convertible Bonds were issued. The conversion price was subsequently modified to HKD11.15 per share as a result of payment of dividend in 2019 and 2020. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company. As at 31 December 2020, the fair value of the embedded financial derivative of convertible bond was RMB1,563 million (2019: RMB2,756 million) (note 20).

Movement of the 2019 Convertible Bonds and the 2023 Convertible Bonds is set out as follows:

	2020 **RMB million**	2019 RMB million
Liability component as at 1 January	**5,517**	13,168
Early redemption	**(223)**	–
Redemption	**–**	(7,869)
Interest expenses	**595**	628
Coupon interest paid	**(304)**	(373)
Currency translation differences	**(313)**	(37)
Liability component as at 31 December	**5,272**	5,517
Less: current portion included in current liabilities	**(20)**	(22)
Included in non-current liabilities	**5,252**	5,495

Interest expenses are calculated by applying the effective interest rate of 11.84% per annum to the liability component (2019: 11.84% per annum).

23 Convertible bonds *(Continued)*

(a) The 2023 Convertible Bonds are guaranteed by the Company and certain subsidiaries of the Group and secured by the equity interests in certain subsidiaries of the Group.

(b) As at 31 December 2020, there has been no conversion of the 2023 Convertible Bonds. The Group partially redeemed the 2023 Convertible Bonds in the aggregate amount of HKD306 million during 2020. The loss on the early redemption was approximately RMB22 million.

24 Bank and other borrowings

	2020 **RMB million**	2019 RMB million
Non-current liabilities:		
— secured	**121,768**	133,637
— unsecured	**66,478**	95,879
Less: current portion of non-current liabilities	**(49,141)**	(56,780)
	139,105	172,736
Included in current liabilities:		
— secured	**10,340**	11,237
— unsecured	**8,737**	12,040
Current portion of non-current liabilities	**49,141**	56,780
	68,218	80,057
Total bank and other borrowings	**207,323**	252,793

The Group's borrowings as at 31 December 2020 of RMB132,108 million (2019: RMB144,874 million) were secured by the Group's equity investment interests and/or certain properties, right-of-use assets and equipment of the Group (notes 6, 7 and 8) with total carrying values of RMB87,099 million (2019: RMB91,728 million).

24 **Bank and other borrowings** *(Continued)*

At 31 December 2020, the Group's bank and other borrowings were repayable as follows:

	2020 RMB million	2019 RMB million
Within 1 year	**68,218**	80,057
Between 1 and 2 years	**74,012**	121,590
Between 2 and 5 years	**58,868**	48,499
Over 5 years	**6,225**	2,647
	207,323	252,793

The weighted average effective interest rate for the year ended 31 December 2020 was 6.36% per annum (2019: 6.63% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2020 RMB million	2019 RMB million
RMB	**159,982**	201,638
HKD	**16,543**	15,803
USD	**22,851**	26,747
RM	**3,397**	2,625
Other	**4,550**	5,980
	207,323	252,793

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2020, none of these covenants had been breached.

25 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total	Treasury shares	Group total
	million	HKD million	RMB million	RMB million	RMB million	RMB million	RMB million
Authorised							
At 1 January 2019, 31 December 2019 and 2020, HKD0.10 per share	100,000	10,000					
Issued and fully paid							
At 1 January 2019	21,646	2,164	2,032	28,201	30,233	(2,352)	27,881
Issue of shares as a result of scrip dividend	221	22	20	2,028	2,048	–	2,048
Exercise of employee share schemes	14	2	1	143	144	–	144
Buy-back of shares	–	–	–	–	–	(322)	(322)
Cancellation of shares	(36)	(4)	(3)	(319)	(322)	322	–
At 31 December 2019	21,845	2,184	2,050	30,053	32,103	(2,352)	29,751
Issued and fully paid							
At 1 January 2020	**21,845**	**2,184**	**2,050**	**30,053**	**32,103**	**(2,352)**	**29,751**
Issue of shares as a result of scrip dividend (note 34)	**162**	**16**	**15**	**1,451**	**1,466**	**–**	**1,466**
Exercise of employee share schemes	**28**	**3**	**2**	**183**	**185**	**93**	**278**
At 31 December 2020	**22,035**	**2,203**	**2,067**	**31,687**	**33,754**	**(2,259)**	**31,495**

26 Employee share schemes

The share-based compensation expenses recognised during the year are as follows:

	2020 **RMB million**	2019 RMB million
Share option scheme	**145**	104
Share award scheme	**260**	232
	405	336

(a) Share option scheme

Since 13 December 2013, the Group granted certain share options to certain directors of the Company and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group. Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme to certain senior management and employees is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the share options is generally 5 years from their respective grant dates. The fair value of the share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Weighted-average exercise price (HKD per share)	**Number of options**	Weighted-average exercise price (HKD per share)	Number of options
At 1 January	**8.884**	**27,229,877**	9.502	23,193,300
Granted	**9.108**	**19,970,881**	11.565	25,024,778
Exercised	**9.743**	**(28,412,545)**	10.982	(14,470,236)
Lapsed	**4.773**	**(924,634)**	–	–
Cancelled	**–**	**–**	16.720	(6,517,965)
At 31 December	**7.981**	**17,863,579**	8.884	27,229,877

26 Employee share schemes *(Continued)*

(a) Share option scheme *(Continued)*

Particulars of share options outstanding as at 31 December 2020 are as follows:

Date of grant	Expiry date	Exercise price in HKD per share	Number of share options granted	Number of share options lapsed	Number of share options exercised	Number of share options cancelled	Number of share options outstanding
30 November 2012	29 November 2022	3.646	3,044,358	–	3,044,358	–	–
13 December 2013	12 December 2023	4.773	6,264,738	1,468,704	3,018,853	–	1,777,181
16 March 2016	15 March 2026	3.332	2,431,903	–	–	–	2,431,903
11 May 2016	10 May 2026	3.106	1,599,861	–	–	–	1,599,861
19 August 2016	18 August 2026	3.740	1,265,081	–	–	–	1,265,081
22 May 2017	21 May 2027	8.250	2,895,406	–	–	–	2,895,406
24 August 2017	23 August 2027	10.100	978,409	–	–	–	978,409
8 December 2017	7 December 2027	12.980	659,817	–	–	–	659,817
21 March 2018	20 March 2028	16.460	948,535	–	–	–	948,535
10 May 2018	9 May 2028	16.280	258,092	–	–	–	258,092
18 May 2018	17 May 2018	16.720	6,517,965	–	–	6,517,965	–
22 August 2018	21 August 2028	12.240	202,300	–	–	–	202,300
6 December 2018	5 December 2028	9.654	619,907	–	–	–	619,907
25 March 2019	24 March 2029	12.044	12,770,908	–	12,356,027	–	414,881
9 May 2019	8 May 2029	12.408	750,160	–	–	–	750,160
23 August 2019	22 August 2029	9.834	1,039,436	–	–	–	1,039,436
5 December 2019	4 December 2029	11.092	10,464,274	–	9,825,134	–	639,140
30 March 2020	29 March 2030	9.030	18,587,411	–	18,587,411	–	–
12 May 2020	11 May 2030	10.040	523,467	–	–	–	523,467
24 July 2020	23 July 2030	10.160	480,615	–	–	–	480,615
3 December 2020	2 December 2030	10.332	379,388	–	–	–	379,388
							17,863,579

26 **Employee share schemes** *(Continued)*

(a) **Share option scheme** *(Continued)*

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2020, the Expected Retention Rate was assessed to be 100% (2019: 100%).

(b) **Share award scheme**

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares (the "Awarded Shares"). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Company, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of Awarded Shares are as follows:

	2020	2019
At 1 January	**152,433,711**	124,083,683
Granted	**42,651,245**	41,742,919
Lapsed	**(11,363,690)**	(13,392,891)
Exercised	**(11,260,484)**	–
At 31 December	**172,460,782**	152,433,711

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2020, the Expected Retention Rate was assessed to be 100% (2019: 100%).

27 Other reserves and retained earnings

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2020	(150)	11,030	1,044	272	(1,101)	960	(15)	(157)	589	12,472	109,716	122,188
Profit for the year	–	–	–	–	–	–	–	–	–	–	35,022	35,022
Transfer to statutory reserve (note (b))	–	6,831	–	–	–	–	–	–	–	6,831	(6,831)	–
Issue of shares as a result of scrip dividend (note 34)	–	–	–	–	–	–	–	–	–	–	(1,466)	(1,466)
Cash dividends	–	–	–	–	–	–	–	–	–	–	(10,554)	(10,554)
Employee share scheme												
– Value of employee services (note 26)	–	–	405	–	–	–	–	–	–	405	–	405
– Exercise of employee share schemes	–	–	(25)	–	–	–	–	–	–	(25)	–	(25)
Change in fair value of financial assets at FVOCI	–	–	–	826	–	–	–	–	–	826	–	826
Disposal of financial assets at FVOCI	–	–	–	(10)	–	–	–	–	–	(10)	10	–
Changes in ownership interests in subsidiaries without change of control (note 39)	–	–	–	–	–	–	–	–	(2,866)	(2,866)	–	(2,866)
Currency translation differences	–	–	–	–	(651)	–	–	–	–	(651)	–	(651)
Disposal of subsidiaries	–	(162)	–	–	–	(91)	–	–	–	(253)	253	–
Deferred losses on cash flow hedges	–	–	–	–	–	–	(115)	–	–	(115)	–	(115)
Deferred gains of hedging	–	–	–	–	–	–	–	843	–	843	–	843
Balance at 31 December 2020	(150)	17,699	1,424	1,088	(1,752)	869	(130)	686	(2,277)	17,457	126,150	143,607

27 Other reserves and retained earnings *(Continued)*

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2019	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449
Profit for the year	–	–	–	–	–	–	–	–	–	–	39,550	39,550
Transfer to statutory reserve (note (b))	–	3,863	–	–	–	–	–	–	–	3,863	(3,863)	–
Issue of shares as a result of scrip dividend	–	–	–	–	–	–	–	–	–	–	(2,048)	(2,048)
Cash dividends	–	–	–	–	–	–	–	–	–	–	(9,468)	(9,468)
Revaluation gains on properties upon transfer from right-of-use assets	–	–	–	–	–	91	–	–	–	91	–	91
Employee share scheme												
– Value of employee services	–	–	336	–	–	–	–	–	–	336	–	336
– Exercise of employee share schemes	–	–	(9)	–	–	–	–	–	–	(9)	–	(9)
Change in fair value of financial assets at FVOCI	–	–	–	195	–	–	–	–	–	195	–	195
Disposal of financial assets at FVOCI	–	–	–	(33)	–	–	–	–	–	(33)	33	–
Effect of redemption of convertible bonds upon maturity	–	–	–	–	–	–	–	–	(220)	(220)	220	–
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	–	–	179	179	–	179
Currency translation differences	–	–	–	–	(538)	–	–	–	–	(538)	–	(538)
Disposal of subsidiaries	–	(90)	–	–	–	–	–	–	–	(90)	90	–
Deferred losses on cash flow hedges	–	–	–	–	–	–	(36)	–	–	(36)	–	(36)
Deferred gains of hedging	–	–	–	–	–	–	–	487	–	487	–	487
Balance at 31 December 2019	(150)	11,030	1,044	272	(1,101)	960	(15)	(157)	589	12,472	109,716	122,188

Notes:

(a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2007 over the nominal value of shares of the Company issued in exchange thereof.

(b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in Mainland China and the articles of association of certain subsidiaries in Mainland China of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

28 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	2020 **RMB million**	2019 RMB million
Deferred income tax assets	**36,466**	27,031
Deferred income tax liabilities	**(32,472)**	(32,763)
	3,994	(5,732)

The movement on the net deferred income tax account is as follows:

	2020 **RMB million**	2019 RMB million
At 1 January	**(5,732)**	(13,523)
Acquisitions of subsidiaries (note 41)	**(4,054)**	(7,281)
Disposals of subsidiaries	**965**	5,114
Charged to other comprehensive income	**(31)**	(102)
Credited to profit or loss (note 33)	**12,846**	10,060
At 31 December	**3,994**	(5,732)

28 Deferred income tax *(Continued)*

Movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets	Business combinations	Recognition of expenses	Elimination of unrealised profits	Tax losses	Prepaid income tax	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2019	626	627	693	771	11,784	4,200	18,701
Acquisitions of subsidiaries	–	9	–	–	–	–	9
Disposals of subsidiaries	–	(494)	(5)	–	(176)	(374)	(1,049)
Credited to profit or loss	703	–	103	559	5,485	2,520	9,370
At 31 December 2019	1,329	142	791	1,330	17,093	6,346	27,031
At 1 January 2020	**1,329**	**142**	**791**	**1,330**	**17,093**	**6,346**	**27,031**
Acquisitions of subsidiaries (note 41)	**–**	**166**	**–**	**–**	**–**	**–**	**166**
Disposals of subsidiaries	**–**	**–**	**–**	**–**	**(130)**	**(84)**	**(214)**
Credited to profit or loss	**902**	**–**	**207**	**793**	**3,900**	**3,681**	**9,483**
At 31 December 2020	**2,231**	**308**	**998**	**2,123**	**20,863**	**9,943**	**36,466**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2020 of RMB40 million (2019: RMB39 million) in respect of accumulated tax losses amounting to RMB158 million as at 31 December 2020 (2019: RMB155 million).

28 Deferred income tax *(Continued)*

Deferred income tax liabilities:

	Business combination RMB million	Recognition of revenue over time RMB million	Withholding income tax on profit to be distributed in future RMB million	Fair value changes on investment properties RMB million	Others RMB million	Total RMB million
At 1 January 2019	(16,049)	(12,824)	(1,519)	(1,253)	(579)	(32,224)
Acquisitions of subsidiaries	(7,290)	–	–	–	–	(7,290)
Disposals of subsidiaries	6,014	121	–	28	–	6,163
Charged to other comprehensive income	–	–	–	(30)	(72)	(102)
Credited/(charged) to profit or loss	2,711	(1,613)	(569)	(60)	221	690
At 31 December 2019	(14,614)	(14,316)	(2,088)	(1,315)	(430)	(32,763)
At 1 January 2020	**(14,614)**	**(14,316)**	**(2,088)**	**(1,315)**	**(430)**	**(32,763)**
Acquisitions of subsidiaries (note 41)	**(4,220)**	**–**	**–**	**–**	**–**	**(4,220)**
Disposals of subsidiaries	**1,149**	**–**	**–**	**30**	**–**	**1,179**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Credited/(charged) to profit or loss	**2,349**	**1,040**	**39**	**(3)**	**(62)**	**3,363**
At 31 December 2020	**(15,336)**	**(13,276)**	**(2,049)**	**(1,288)**	**(523)**	**(32,472)**

As at 31 December 2020, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB133,779 million (2019: RMB108,789 million). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

29 Other income and gains — net

	2020 **RMB million**	2019 RMB million
Other income		
— Management and other related service income	**1,064**	733
— Forfeiture income	**148**	127
— Government subsidy income	**390**	326
	1,602	1,186
Other gains		
— Gains arising from negative goodwill (note 41)	**856**	655
— Changes in fair value of derivative financial instruments	**(488)**	308
— Gains on disposals of subsidiaries (note 40)	**849**	967
— Gains on disposals of property, plant and equipment (note 35(b))	**37**	72
— Others	**(40)**	100
	1,214	2,102
Total other income and gains — net	**2,816**	3,288

30 Expenses by nature

	2020 **RMB million**	2019 RMB million
Costs of properties sold	**358,999**	355,223
Other taxes and levies	**2,888**	4,131
Sales commission to agents	**3,414**	3,112
Advertising and promotion costs	**3,654**	4,993
Employee benefit expenses (note 31)	**15,697**	19,056
Property management and other services expenses	**1,163**	1,270
Donations	**1,574**	1,431
Depreciation of property, plant and equipment (note 6)	**1,536**	1,099
Amortisation of intangible assets	**203**	117
Depreciation of right-of-use assets	**328**	332
Auditor's remuneration	**27**	36
— Audit services	**19**	21
— Non-audit services	**8**	15
Others	**2,788**	4,347
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	**392,271**	395,147

30 Expenses by nature *(Continued)*

Notes:

(a) The subsidiaries in Mainland China of the Group are subject to value-added tax ("VAT") on their revenues. The applicable tax rates are as follows:

Category	Rate of VAT
Sales of properties (i)	5%, 9%
Property construction (i)	3%, 9%
Property investment (i)	5%, 9%
Property management (ii)	3%, 6%
Hotel service (ii)	3%, 6%

(i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. VAT for small-scale VAT payer of property construction is 3%. According to the relevant regulations about Adjustment of the Value-Added Tax Rate issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2019] No. 39), VAT for income from sales of properties, property investment and property construction adjusted from 10% to 9% since 1 April 2019.

(ii) The rates of VAT for general VAT payers and small-scale VAT payers of property management and hotel service are 6% and 3%, respectively.

31 Employee benefit expenses

	2020 RMB million	2019 RMB million
Wages and salaries	**23,360**	27,567
Contributions to pension plans (note (a))	**160**	191
Staff welfare	**366**	437
Medical benefits	**320**	383
Share-based compensation expenses (note 26)	**405**	336
Other allowances and benefits	**92**	109
	24,703	29,023
Less: capitalised in properties under development	**(9,006)**	(9,967)
	15,697	19,056

31 Employee benefit expenses *(Continued)*

Notes:

(a) Contributions to pension plans

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2019: two) director of the Company whose emoluments is reflected in the analysis shown in note 45. The emoluments payable to the remaining four (2019: three) individuals during the year are as follows:

	2020	2019
	RMB million	RMB million
Salaries	**16**	10
Discretionary bonuses	**173**	163
Other benefits and share-based compensation expenses	**121**	58
	310	231

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
HKD73,000,001 to HKD73,500,000	**–**	1
HKD75,000,001 to HKD75,500,000	**1**	–
HKD75,500,001 to HKD76,000,000	**1**	–
HKD79,500,001 to HKD80,000,000	**1**	–
HKD80,000,001 to HKD80,500,000	**–**	1
HKD103,500,001 to HKD104,000,000	**–**	1
HKD125,000,001 to HKD130,000,000	**1**	–

32 Finance income — net

	2020 RMB million	2019 RMB million
Finance income:		
— Interest income on bank deposits and others	**4,102**	2,371
— Net foreign exchange gains	**3,242**	–
	7,344	2,371
Finance costs:		
— Interest expenses for bank borrowings, senior notes, corporate bonds and others	**(23,229)**	(24,426)
— Interest expenses for lease liabilities	**(49)**	(63)
	(23,278)	(24,489)
Less: amounts capitalised on qualifying assets	**23,278**	24,489
	–	–
— Net foreign exchange losses	**–**	(1,200)
— Net losses on early redemption of senior notes and convertible bonds	**(38)**	–
	(38)	(1,200)
Finance income — net	**7,306**	1,171

33 Income tax expenses

	2020 RMB million	2019 RMB million
Current income tax		
— Corporate income tax	**28,331**	31,373
— Land appreciation tax (note (c))	**15,926**	16,424
	44,257	47,797
Deferred income tax (note 28)	**(12,846)**	(10,060)
	31,411	37,737

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2020 RMB million	2019 RMB million
Profit before income tax	**85,529**	98,939
Tax calculated at Mainland China corporate income tax rate of 25% (2019: 25%)	**21,382**	24,735
Different tax rates applicable to different subsidiaries of the Group	**(68)**	40
Land appreciation tax deductible for calculation of income tax purpose	**(3,814)**	(4,106)
Effects of share of post-tax results of joint ventures and associates	**(1,565)**	(1,277)
Income not subject to tax	**(1,139)**	(185)
Expenses not deductible for tax purpose	**1,398**	1,537
	16,194	20,744
Withholding income tax (note (d))	**(39)**	569
Land appreciation tax (note (c))	**15,256**	16,424
Income tax expenses	**31,411**	37,737

33 Income tax expenses *(Continued)*

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

(b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.

(c) Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land and all property development expenditures.

(d) Withholding income tax is provided for dividend distributed and undistributed profit of the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

34 Dividends

	2020 RMB million	2019 RMB million
Proposed final dividend of RMB24.98 cents (2019: RMB34.25 cents) per share	**5,504**	7,492
Interim dividend of RMB20.55 cents (2019: RMB22.87 cents) per share	**4,528**	4,953
	10,032	12,445

The final dividend in respect of 2019 of RMB34.25 cents (equivalent to HKD37.28 cents) per share was approved in the Annual General Meeting of the Company on 21 May 2020. The final dividend totalling RMB7,492 million has been paid partly in new shares of the Company and partly in cash in August 2020. The number of ordinary shares settled and issued as scrip dividends was 162,334,185 and the total amount of dividend paid as scrip dividends was RMB1,466 million while cash dividend amounted to RMB6,026 million.

On 25 August 2020, the Board declared an interim dividend of RMB20.55 cents per share in the form of cash for the six months ended 30 June 2020, totalling RMB4,528 million (2019 interim dividend: RMB22.87 cents per share, totalling RMB4,953 million). The interim dividend has been paid in cash in November 2020.

The Board of Directors recommended the payment of a 2020 final dividend of RMB24.98 cents per share, totalling RMB5,504 million with the eligible shareholders being given an option to elect to receive the final dividend all in new shares, or partly in new shares and partly in cash, or all in cash. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

35 Cash flow information

(a) Cash generated from operations

	Note	2020 RMB million	2019 RMB million
Profit for the year		**54,118**	61,202
Adjustments for:			
Income tax expenses	33	**31,411**	37,737
Interest income on bank deposits and others	32	**(4,102)**	(2,371)
Net losses on early redemption of senior notes and convertible bonds	32	**38**	–
Net foreign exchange (gains)/losses	32	**(3,242)**	1,200
Depreciation of property, plant and equipment	30	**1,536**	1,099
Depreciation of right-of-use assets	30	**328**	332
Amortisation of intangible assets	30	**203**	117
Gains on disposals of property, plant and equipment	29	**(37)**	(72)
Net impairment losses on financial and contract assets		**1,449**	1,515
Share of results of joint ventures and associates	9	**(6,258)**	(5,108)
Gains arising from changes in fair value of and transfer to investment properties	7	**(13)**	(126)
Share-based compensation expense	31	**405**	336
Gains arising from negative goodwill	29	**(856)**	(655)
Changes in fair value of financial assets at FVTPL		**(696)**	64
Changes in fair value of derivative financial instruments	29	**488**	(308)
Gains on disposals of subsidiaries	29	**(849)**	(967)
		73,923	93,995
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries and currency exchange differences on consolidation):			
Properties under development and completed properties held for sale		**(86,928)**	(97,125)
Inventories		**874**	(2,959)
Restricted cash		**4,585**	(3,455)
Trade and other receivables and contract assets and contract acquisition costs		**36,144**	5,749
Trade and other payables and contract liabilities		**14,223**	82,831
Cash generated from operations		**42,821**	79,036

35 **Cash flow information** *(Continued)*

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2020 RMB million	2019 RMB million
Property, plant and equipment		
Net book amount disposed of (note 6)	**528**	378
Gains on disposals (note 29)	**37**	72
Proceeds from disposals	**565**	450

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Lease liabilities RMB million	Total RMB million
Liabilities as at 31 December 2019	252,793	64,893	46,400	5,517	279	(231)	909	370,560
Cash flows								
— Net cash flows from financing activities	(45,570)	12,731	(5,884)	(245)	(279)	(646)	(243)	(40,136)
— Interest paid	(15,510)	(3,735)	(2,691)	(304)	(7)	–	(49)	(22,296)
— Acquisitions of subsidiaries (note 41)	13,021	–	–	–	–	–	–	13,021
— Disposals of subsidiaries	(10,934)	–	–	–	–	–	–	(10,934)
Non-cash movements								
— Changes in fair value of derivative financial instruments	–	–	–	–	–	488	–	488
— Interest expenses	15,510	4,398	2,723	595	3	–	49	23,278
— Losses on early redemption	–	16	–	22	–	–	–	38
— Foreign exchange adjustments	(1,987)	(4,893)	(68)	(313)	4	–	–	(7,257)
— Other non-cash movements	–	–	–	–	–	3,092	(11)	3,081
Liabilities as at 31 December 2020	**207,323**	**73,410**	**40,480**	**5,272**	**-**	**2,703**	**655**	**329,843**

35 **Cash flow information** *(Continued)*

(c) **Reconciliation of liabilities arising from financing activities** *(Continued)*

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Lease liabilities RMB million	Total RMB million
Liabilities as at 31 December 2018	231,683	41,716	41,908	13,168	794	898	–	330,167
Recognised on adoption of HKFRS 16	–	–	–	–	–	–	244	244
	231,683	41,716	41,908	13,168	794	898	244	330,411
Cash flows								
– Net cash flows from financing activities	18,519	21,358	4,093	(7,869)	(551)	(213)	(252)	35,085
– Interest paid	(16,935)	(3,361)	(2,566)	(373)	(31)	–	(63)	(23,329)
– Acquisitions of subsidiaries	21,781	–	–	–	–	–	–	21,781
– Disposals of subsidiaries	(19,542)	–	–	–	–	–	–	(19,542)
Non-cash movements								
– Changes in fair value of derivative financial instruments	–	–	–	–	–	(308)	–	(308)
– Interest expenses	16,935	3,909	2,928	628	26	–	63	24,489
– Foreign exchange adjustments	352	1,271	37	(37)	41	–	–	1,664
– Other non-cash movements	–	–	–	–	–	(608)	917	309
Liabilities as at 31 December 2019	252,793	64,893	46,400	5,517	279	(231)	909	370,560

(d) **Non-cash investing and financing activities**

	2020 RMB million	2019 RMB million
Dividends satisfied by the issue of shares under the scrip dividend scheme (Note 34)	**1,466**	2,048

36 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, excluding ordinary shares purchased by the Group and held as treasury shares (note 25).

	2020	2019
Profit attributable to owners of the Company (RMB million)	**35,022**	39,550
Weighted average number of ordinary shares in issue (million)	**21,641**	21,375
Earnings per share — Basic (RMB yuan per share)	**1.62**	1.85

(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. The Company had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call options. The convertible bonds are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options, awarded shares and written call options and conversion of convertible bonds. Written call options were excluded from the computation of diluted earnings per share as they are anti-dilutive for the years ended 31 December 2019 and 2020.

	2020	2019
Profit attributable to owners of the Company (RMB million)	**35,022**	39,550
Interest expense on convertible bonds (RMB million)	**46**	–
Profit attributable to owners of the Company used to determine diluted earnings per share (RMB million)	**35,068**	39,550
Weighted average number of ordinary shares in issue (million)	**21,641**	21,375
Adjustments — share options, awarded shares and convertible bonds (million)	**730**	704
Weighted average number of ordinary shares for diluted earnings per share (million)	**22,371**	22,079
Earnings per share — Diluted (RMB yuan per share)	**1.57**	1.79

37 Guarantees

	2020 **RMB million**	2019 RMB million
Guarantees in respect of mortgage facilities for certain property buyers (note (a))	**381,302**	348,154
Guarantees to joint ventures, associates and other related parties in respect of liabilities (note (b))	**64,603**	73,239
	445,905	421,393

Notes:

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

The directors of the Company consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

38 Commitments

(a) Commitments for capital expenditures

	2020 **RMB million**	2019 RMB million
Contracted but not provided for:		
Property, plant and equipment	**688**	590

38 **Commitments** *(Continued)*

(b) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2020 RMB million	2019 RMB million
Not later than one year	**322**	264
Later than one year and not later than two years	**254**	193
Later than two years and not later than three years	**203**	148
Later than three years and not later than four years	**162**	103
Later than four years and not later than five years	**127**	81
Later than five years	**564**	497
	1,632	1,286

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 7.

39 **Transactions with non-controlling interests**

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2020 are as follows:

	2020 RMB million
Changes in equity attributable to owners of the Company arising from:	
— Acquisitions of additional interests in subsidiaries (note (a))	**(2,937)**
— Disposals of interests in subsidiaries without loss of control (note (b))	**46**
— Deemed disposals of interests in subsidiaries without loss of control (note (c))	**25**
	(2,866)

39 Transactions with non-controlling interests *(Continued)*

(a) The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB4,109 million.

The following table summarises the effect of these acquisitions:

	2020 RMB million
Total carrying amounts of non-controlling interests acquired	1,172
Total consideration	(4,109)
Total difference recognised within equity	(2,937)

(b) The Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB102 million.

The following table summarises the effect of these disposals:

	2020 RMB million
Total carrying amounts disposed to non-controlling interests	(56)
Proceeds from disposals	102
Total difference recognised within equity	46

(c) Certain third parties injected capital which resulted in passive dilution of interests in certain subsidiaries without loss of control. The Group recognised a decrease in equity and an increase in non-controlling interests of RMB25 million.

40 Disposals of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB million
Disposal consideration	
— Cash received	**5,271**
— Outstanding and included in other receivables	**1,350**
— Fair value of investments in joint ventures and associates upon transfer from subsidiaries	**950**
	7,571
Less:	
— Total net assets of subsidiaries disposed of	**(10,000)**
— Non-controlling interest disposed of	**3,278**
Gains on disposals (note 29)	**849**
Cash proceeds from disposals, net of cash disposed of	
— Cash considerations received (note (a))	**6,747**
— Less: cash and cash equivalents in the subsidiaries disposed of	**(10,820)**
Net cash outflow on disposals	**(4,073)**

Note:

(a) These represented cash considerations received related to transactions during the year and in prior years.

41 Business combinations

Business combinations during the year mainly included the acquisitions of interest in various property development companies and acquisitions of additional interests in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

41 Business combinations *(Continued)*

The acquired companies' principal activities are property development and construction. The financial information of these acquired companies on the acquisition dates is summarised as follows:

	RMB million
Total purchase considerations	
— Cash paid	4,245
— Fair value of investments in joint ventures and associates held before business combinations	2,445
	6,690
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,864
Restricted cash	1,786
Investments in joint ventures and associates	144
Property, plant and equipment	1,717
Investment properties	165
Right-of-use assets	171
Intangible assets	62
Properties under development and completed properties held for sale	125,929
Trade and other receivables	19,891
Contract assets and contract acquisition costs	1,079
Prepaid income taxes	3,111
Deferred income tax assets	166
Bank and other borrowings	(13,021)
Trade and other payables	(53,951)
Contract liabilities	(75,301)
Current income tax liabilities	(5,591)
Deferred income tax liabilities	(4,220)
Total identifiable net assets	10,001
Non-controlling interests	(2,694)
Negative goodwill	(856)
Goodwill	239
	6,690
Inflow of cash to acquire business, net of cash acquired	
— cash considerations	(4,245)
— cash and cash equivalents in the subsidiaries acquired	7,864
Net cash inflow on acquisitions	3,619

41 **Business combinations** *(Continued)*

Gains arising from negative goodwill was mainly due to the fact that the sellers in some acquisitions had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The goodwill in other acquisitions was mainly attributable to economies of scales expected from combining the operations of the Group and the acquired entities.

The acquired businesses contributed total revenues of RMB40,053 million and net profit of RMB3,470 million to the Group for the period from their respective acquisition dates to 31 December 2020. Had these companies been consolidated from 1 January 2020, the consolidated statement income statement would show pro-forma revenue of RMB463,641 million and profit for the year of RMB53,815 million.

42 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2020 **RMB million**	2019 RMB million
(i) Entities controlled or significantly influenced by certain shareholders, certain directors and/or their close family members		
Purchase of design service	**3,333**	2,950
Construction service income	**41**	8
Purchase of property management and related services	**1,163**	1,270
Other transactions	**1,034**	305
	5,571	4,533
(ii) Joint ventures		
Provision of guarantee in respect of borrowings	**51,632**	48,570
Construction service income	**6,863**	3,696
Other transactions	**2,339**	1,261

42 Related party transactions *(Continued)*

(a) Transactions with related parties *(Continued)*

	2020 RMB million	2019 RMB million
(iii) Associates		
Provision of guarantee in respect of borrowings	**12,876**	**23,639**
Construction service income	**1,997**	**2,599**
Other transactions	**1,384**	**1,517**

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(b) Key management compensation

Key management includes directors and chief executive officer of the Company.

	2020 RMB million	2019 RMB million
Fees and salaries	**56**	67
Discretionary bonuses	**87**	196
Other benefits and share-based compensation	**145**	75
	288	338

(c) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

	2020 RMB million	2019 RMB million
(i) Entities controlled by certain shareholder, certain directors and/or their close family members		
Trade and other receivables	**2,214**	2,910
Contract assets and contract acquisition costs	**39**	52
Trade and other payables	**3,856**	3,628
(ii) Joint ventures		
Trade and other receivables	**82,408**	91,351
Contract assets and contract acquisition costs	**3,158**	1,911
Trade and other payables	**57,607**	51,001
(iii) Associates		
Trade and other receivables	**22,647**	27,056
Contract assets and contract acquisition costs	**1,039**	1,285
Trade and other payables	**25,251**	24,050

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

(d) Senior notes

As at 31 December 2020, senior notes with principal amount of USD591 million (equivalent to approximately RMB3,856 million) (2019: USD461 million, equivalent to approximately RMB3,216 million) and USD25 million (equivalent to approximately RMB163 million) (2019: USD16 million, equivalent to approximately RMB112 million) and USD18 million (equivalent to approximately RMB117 million) (2019: USD5 million, equivalent to approximately RMB35 million) were held by Mr. YEUNG Kwok Keung, Mr. MO Bin and Ms. YANG Ziying respectively.

43 **Statement of financial position and reserve movement of the Company**

	As at 31 December	
	2020	2019
	RMB million	RMB million
Non-current assets		
Investments in subsidiaries	**56,051**	52,519
Financial assets at fair value through other comprehensive income	**506**	876
Derivative financial instruments	**75**	808
	56,632	54,203
Current assets		
Amounts due from subsidiaries	**132,482**	129,788
Other receivables	**1,948**	933
Cash and cash equivalents	**1,584**	2,353
Derivative financial instruments	**101**	447
	136,115	133,521
Current liabilities		
Amounts due to subsidiaries	**23,595**	22,808
Other payables	**346**	878
Senior notes	**2,219**	7,343
Corporate bonds	**10,428**	–
Bank and other borrowings	**21,413**	13,667
Derivative financial instruments	**1,084**	32
	59,085	44,728
Net current assets	**77,030**	88,793
Total assets less current liabilities	**133,662**	142,996

	As at 31 December	
	2020	2019
	RMB million	RMB million
Non-current liabilities		
Senior notes	**71,191**	57,550
Corporate bonds	**–**	14,941
Bank and other borrowings	**17,869**	29,416
Derivative financial instruments	**969**	77
	90,029	101,984
Equity		
Share capital and premium	**33,844**	32,130
Other reserves (note)	**1,970**	992
Retained earnings (note)	**7,819**	7,890
Total equity	**43,633**	41,012
Total equity and non-current liabilities	**133,662**	142,996

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2021 and were signed on its behalf.

MO Bin	**YANG Ziying**
Director	*Director*

43 **Statement of financial position and reserve movement of the Company** *(Continued)*

Note:

Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2020	**992**	**7,890**	**8,882**
Profit for the year	**–**	**11,940**	**11,940**
Deferred losses on cash flow hedges	**(115)**	**–**	**(115)**
Deferred gains of hedging	**843**	**–**	**843**
Issue of shares as a result of scrip dividend	**–**	**(1,466)**	**(1,466)**
Cash dividends	**–**	**(10,554)**	**(10,554)**
Employee share schemes			
— Value of employee services	**405**	**–**	**405**
— Exercise of employee share schemes	**(25)**	**–**	**(25)**
Change in fair value of financial assets at FVOCI	**(121)**	**–**	**(121)**
Disposal of financial assets at FVOCI	**(9)**	**9**	**–**
At 31 December 2020	**1,970**	**7,819**	**9,789**
At 1 January 2019	196	10,923	11,119
Profit for the year	–	8,483	8,483
Deferred losses on cash flow hedges	(36)	–	(36)
Deferred gains of hedging	487	–	487
Issue of shares as a result of scrip dividend	–	(2,048)	(2,048)
Cash dividends	–	(9,468)	(9,468)
Employee share schemes			
— Value of employee services	336	–	336
— Exercise of employee share schemes	(9)	–	(9)
Change in fair value of financial assets at FVOCI	18	–	18
At 31 December 2019	992	7,890	8,882

44 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD20,000,001	100%	0%	Investment holding and rendering of property related sales services
Incorporated in the BVI and operates in Hong Kong:					
Estonia Development Ltd.	21 March 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Established and operates in Mainland: (Registered as under PRC law)					
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	0%	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	0%	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	USD253,800,000	100%	0%	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	0%	Property development
Jiangmen Wuyi Country Garden Real Estate Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	0%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	0%	Property development
Lianyungang Bisheng Real Estate Development Co., Ltd. (i) 連雲港市碧勝房地產開發有限公司	22 May 2020	RMB500,000,000	100%	0%	Property development

44 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Changsha Venice City Real Estate Development Co., Ltd. 長沙威尼斯城房地產開發有限公司	1 August 2003	RMB233,000,000	100%	0%	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB879,764,400	85%	15%	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	0%	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	0%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,300,000,000	100%	0%	Property development
Shenyang Hunnan Xincheng Counrty Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	0%	Property development
Shaoguan Country Garden Real Estate Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB882,352,900	85%	15%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	0%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB3,000,000,000	100%	0%	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB689,660,000	87%	13%	Property development
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	USD604,500,000	100%	0%	Property development
Qingyuan Country Garden Xinya Real Estate Development Co., Ltd. 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	0%	Property development
Hangzhou Country Garden Real Estate Development Co., Ltd. 杭州碧桂園房地產開發有限公司	1 April 2011	USD136,000,000	100%	0%	Property development
Lanzhou Country Garden Real Estate Development Co., Ltd. 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB1,570,000,000	85%	15%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	0%	Property development
Wenling Jiuduhui Real Estate Development Co., Ltd. (i) 溫嶺玖都薈房地產開發有限公司	15 June 2020	RMB50,000,000	100%	0%	Property development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Country Garden Real Estate Group Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,940,840,339	100%	0%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	0%	Property development
Henan Country Garden Property Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	0%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB1,000,000,000	100%	0%	Property development
Huiyang Songtao Industry Co., Ltd. 惠陽松濤實業有限公司	13 May 1991	RMB50,000,000	83%	17%	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,705,882,353	85%	15%	Property development
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司	3 January 2017	RMB1,000,000	91%	9%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司	11 December 2013	RMB10,000,000	92%	8%	Property development
Ningbo Hangzhou Bay New Area Country Garden Real Estate Development Co., Ltd. 寧波杭州灣新區碧桂園房地產開發有限公司	14 August 2017	RMB50,000,000	63%	37%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司	1 September 2017	RMB5,000,000	51%	49%	Property development
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房產置業有限公司	10 July 2017	RMB10,000,000	100%	0%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司	18 September 2017	RMB1,000,000	57%	43%	Property development
Foshan Nanhai Bizhen Real Estate Co., Ltd. 佛山市南海區碧臻房地產有限公司	26 September 2017	RMB50,000,000	100%	0%	Property development
Foshan Shunde Lunjiao Country Garden Real Estate Development Co., Ltd. 佛山市順德區倫教碧桂園房地產開發有限公司	18 March 2016	RMB1,000,000	95%	5%	Property development
Dongguan Chuangying Real Estate Development Co., Ltd. 東莞市創盈房地產開發有限公司	31 October 2017	RMB10,000,000	87%	13%	Property development
Dongguan Xiegang Country Garden Industry City Development Co., Ltd. 東莞市謝崗碧桂園產城發展有限公司	7 January 2018	RMB50,000,000	100%	0%	Property development
Xining Biying Real Estate Development Co., Ltd. 西寧碧盈房地產開發有限公司	18 January 2018	RMB10,000,000	87%	13%	Property development

44 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Shenzhen Bigui Xinju Investment and Development Co., Ltd. 深圳市碧桂新居投資發展有限公司	22 January 2018	RMB500,000,000	100%	0%	Investment consulting
Nantong Shangdao Real Estate Co., Ltd. 南通上島置業有限公司	11 February 2010	RMB180,000,000	68%	32%	Property development
Shenzhen Xingyilian Real Estate Co., Ltd. 深圳市興益聯置業有限公司	27 April 2018	RMB10,000,000	100%	0%	Investment consulting
Lhasa Country Garden Real Estate Development Co., Ltd. 拉薩碧桂園房地產開發有限公司	28 March 2018	RMB10,000,000	86%	14%	Property development
Xining Bisheng Real Estate Development Co., Ltd. 西寧碧勝房地產開發有限公司	4 May 2018	RMB10,000,000	87%	13%	Property development
Taicang Bichen Real Estate Development Co., Ltd. 太倉碧辰房地產開發有限公司	15 May 2018	RMB625,000,000	91%	9%	Property development
Foshan Shunde Xingtan Country Garden Real Estate Development Co., Ltd. 佛山市順德區杏壇碧桂園房地產開發有限公司	28 April 2018	RMB3,000,000	100%	0%	Property development
Foshan Shunde Panpu Culture Co., Ltd. 佛山市順德區泮浦文化有限公司	19 June 2018	RMB1,000,000	100%	0%	Cultural activity planning
Yunnan Bicheng Real Estate Development Co., Ltd. 雲南碧城房地產開發有限公司	29 June 2016	RMB2,462,855,790	96%	4%	Property development
Foshan Shunde Zhaoheng Country Garden Real Estate Co., Ltd 佛山市順德區肇恒碧桂園房地產置業有限公司	18 December 2018	RMB10,000,000	100%	0%	Property development
Yangzhou Country Garden Real Estate Development Co., Ltd. 揚州碧桂園房地產開發有限公司	24 May 2019	RMB20,000,000	100%	0%	Property development
Foshan Shunde Chechuang Real Estate Co., Ltd. 佛山市順德區車創置業有限公司	31 October 2017	RMB5,010,000	100%	0%	Property development
Foshan Shunde Desheng Real Estate Co., Ltd. 佛山市順德區德晟房產有限公司	10 July 2017	RMB100,000,000	100%	0%	Property development
Qingdao Blue Valley Country Garden Industry City Development Co., Ltd. 青島藍穀碧桂園產城發展有限公司	21 June 2019	RMB663,534,990	94%	6%	Property development
Gansu Kangqiao Real Estate Development Co., Ltd. 甘肅康橋房地產開發有限公司	21 September 2017	RMB110,000,000	94%	6%	Property development
Taiyuan Biyang Real Estate Development Co., Ltd. 太原碧揚房地產開發有限公司	14 June 2019	RMB500,000,000	61%	39%	Property development
Guangdong Bright Dream City Development Co., Ltd. 廣東省博智林產城發展有限公司	13 June 2019	RMB10,000,000	100%	0%	Management consulting
Yibin Country Garden Ronghui Real Estate Co., Ltd. 宜賓碧桂園戎薈置業有限責任公司	24 September 2019	RMB10,000,000	100%	0%	Property development
Shaanxi Qinhaoshengtai Real Estate Co., Ltd. 陝西秦皓盛泰置業有限公司	14 March 2019	RMB400,000,000	100%	0%	Property development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guizhou Gui'an New District Country Garden Hanlin Real Estate Construction Co., Ltd. 貴州省貴安新區碧桂園翰林房地產建設有限公司	17 June 2019	RMB20,000,000	90%	10%	Property development
Guangdong Cheng Jia Decoration Design Engineering Co., Ltd. 廣東誠加裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	0%	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	0%	Construction
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	0%	Construction
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB1,000,000,000	100%	0%	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築專案管理有限公司	14 March 2017	RMB34,659,100	100%	0%	Construction
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,383,400,000	100%	0%	Construction
Guangdong Boyue Intelligent Construction Technology Co., Ltd. 廣東博越智慧建造科技有限公司	8 March 2019	RMB1,000,000,000	100%	0%	Robot research and development and related services
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	0%	Hotel operation
Foshan City Shunde Longjiang Town Country Garden Phoenix Hotel Co., Ltd. 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2009	RMB100,000,000	100%	0%	Hotel operation
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	0%	Food sales
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	0%	Construction
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB10,000,000	100%	0%	Electronic hardware development
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產資訊諮詢有限公司	26 July 2013	RMB10,000,000	100%	0%	Real estate consulting
Guangdong Excellent Landscape Design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	0%	Landscape design
Shenzhen Bisheng Development Co., Ltd. 深圳碧盛發展有限公司	19 November 2015	RMB62,500,000	100%	0%	Investment consulting
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB500,000	100%	0%	Real estate consulting

44 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Shenyang Shenbei Xincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	0%	Property development
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd. 廣東順德鳳凰優選商業有限公司	24 January 2017	RMB1,140,000,000	100%	0%	Retail
Country Garden Agricultural Holding Co., Ltd. 碧桂園農業控股有限公司	8 May 2018	RMB1,000,000,000	100%	0%	Agriculture
Foshan Shunde Bright Dream Robotics Industrial Investment Co., Ltd. 佛山市順德區博智林機器人產業投資有限公司	15 August 2018	RMB10,000,000	100%	0%	Robot research and development and related services
Guangdong Bright Dream Robotics Co., Ltd. 廣東博智林機器人有限公司	17 July 2018	RMB3,200,000,000	100%	0%	Robot research and development and related services
Foshan Shunde Bright Dream Intelligent Manufacturing Co., Ltd. 廣東博智林智能製造有限公司	23 August 2018	RMB50,000,000	100%	0%	Robot research and development and related services
Guangdong Bright RuiEn Metal Technology Co., Ltd. 廣東博睿恩金屬科技有限公司	19 November 2018	RMB100,000,000	60%	40%	Robot research and development and related services
Qianxi Robotics Group Co., Ltd. 千璽機器人集團有限公司	5 May 2019	RMB1,000,000,000	100%	0%	Robot research and development and related services
Guangdong Biyouwei Catering Co., Ltd 廣東碧有味餐飲有限公司	10 May 2019	RMB10,000,000	100%	0%	Food sales
Guangdong Bofang Zhongji Medical Technology Co., Ltd. 廣東博方眾濟醫療科技有限公司	8 May 2019	RMB50,000,000	100%	0%	Robot research and development and related services
Guangdong Zhiyuan Robot Technology Co., Ltd. 廣東智源機器人科技有限公司	14 May 2019	RMB500,000,000	100%	0%	Robot research and development and related services
Biyouwei Catering Service (Foshan) Co., Ltd. 碧有味餐飲服務（佛山）有限公司	6 June 2019	RMB1,000,000	100%	0%	Food sales
Shenzhen Country Garden Innovation Investment Co., Ltd. 深圳市碧桂園創新投資有限公司	5 June 2019	RMB500,000,000	100%	0%	Investment consulting
Guangdong Bright Dream Software Technology Co., Ltd. 廣東博智林軟件科技有限公司	5 July 2019	RMB10,000,000	100%	0%	Robot research and development and related services
Guangdong Bipinju Construction Industrialization Co., Ltd. 廣東碧品居建築工業化有限公司	30 August 2019	RMB100,000,000	100%	0%	Robot research and development and related services
Guangdong Shunde Biyouxuan Commercial Co., Ltd. 廣東順德碧優選商業有限公司	23 August 2019	RMB300,000,000	100%	0%	Retail
Foshan Biyouxuan Commercial Retail Co., Ltd.(i) 佛山市碧優選商業零售有限公司	24 September 2020	RMB10,000,000	100%	0%	Retail

44 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Qianxi Management Consulting Co., Ltd. 廣東千璽管理諮詢有限公司	27 September 2019	RMB10,000,000	100%	0%	Management consulting
Foshan Shunde Zhouyu Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,889,820,339	100%	0%	Property development
Guangdong Bojiatuo Construction Technology Co., Ltd. 廣東博嘉拓建築科技有限公司	12 December 2019	RMB100,000,000	100%	0%	Robot research and development and related services
Guangdong Boyuan Robot Engineering Service Co., Ltd.(i) 廣東博源機器人工程服務有限公司	7 July 2020	RMB50,000,000	100%	0%	Robot research and development and related services
Guangdong Zhuhuahui Construction Technology Co., Ltd.(i) 廣東築華慧建築科技有限公司	18 September 2020	RMB50,000,000	100%	0%	Robot research and development and related services
Guangdong Haoyun Technology Co., Ltd.(i) 廣東皓耘科技有限公司	29 September 2020	RMB20,000,000	100%	0%	Robot research and development and related services
Guangdong Country Garden Innovation Investment Management Co., Ltd. 廣東碧桂園創新投資管理有限公司	10 December 2019	RMB500,000,000	100%	0%	Investment consulting
Established and operate overseas:					
BGY Cityview Holdings LLC*	6 July 2017	USD227,996,201	46%	54%	Property development
Country Garden Pacificview Sdn. Bhd.	29 April 2013	RM10,000,000	58%	42%	Property development
Country Garden Danga Bay Sdn. Bhd.	16 October 2012	RM150,000,100	100%	0%	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RM1,000,000	100%	0%	Property development
Risland(Thailand) Co., Ltd	1 June 2017	THB2,000,000,000	100%	0%	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

45 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

For the year ended 31 December 2020:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000
Chairman					
Mr. YEUNG Kwok Keung	–	10,000	5,307	–	16
Co-Chairman					
Ms. YANG Huiyan (i)	–	7,500	4,007	–	8
Executive directors					
Mr. MO Bin*	–	15,000	9,136	108,754	16
Ms. YANG Ziying	–	10,000	3,918	–	16
Mr. YANG Zhicheng	–	4,000	38,920	14,934	25
Mr. SONG Jun	–	4,000	7,794	16,997	42
Mr. SU Baiyuan	–	4,000	17,527	4,643	21
Non-executive director					
Mr. CHEN Chong	370	–	–	–	16
Independent non-executive directors					
Mr. LAI Ming, Joseph	330	–	–	–	–
Mr. SHEK Lai Him, Abraham	330	–	–	–	–
Mr. TONG Wui Tung	330	–	–	–	–
Mr. HUANG Hongyan	240	–	–	–	–
Mr. TO Yau Kwok	240	–	–	–	–
	1,840	54,500	86,609	145,328	160

* Chief executive officer of the Company

i. Ms. Yang Huiyan did not receive any emoluments from the Group from 1 July 2020 to 12 December 2020 and has respectively made arrangements with the Company under which she has waived or agreed to waive her emoluments.

45 Benefits and interests of directors *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2019:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000
Chairman					
Mr. YEUNG Kwok Keung	–	10,000	5,657	–	16
Co-Chairman					
Ms. YANG Huiyan	–	15,000	10,328	–	16
Executive directors					
Mr. MO Bin	–	15,000	9,254	44,436	16
Ms. YANG Ziying	–	10,000	3,389	–	16
Mr. YANG Zhicheng	–	4,000	30,000	10,589	46
Mr. SONG Jun	–	4,000	11,315	15,686	68
Mr. SU Baiyuan	–	4,000	13,479	4,115	21
Mr. LIANG Guokun (resigned on 18 October 2019)	–	3,183	113,030	–	15
Non-executive director					
Mr. CHEN Chong	370	–	–	–	16
Independent non-executive directors					
Mr. LAI Ming, Joseph	330	–	–	–	–
Mr. SHEK Lai Him, Abraham	330	–	–	–	–
Mr. TONG Wui Tung	330	–	–	–	–
Mr. HUANG Hongyan	240	–	–	–	–
Mr. TO Yau Kwok (appointed on 1 June 2019)	140	–	–	–	–
Mr. YEUNG Kwok On (resigned on 1 June 2019)	100	–	–	–	–
	1,840	65,183	196,452	74,826	230

Note: Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

45 Benefits and interests of directors *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2020, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2019: nil).

(c) Directors' termination benefits

During the year ended 31 December 2020, no payments to the directors of the Company as compensation for the early termination of the appointment (2019: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2020, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2019: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2019: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, 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 (2019: nil).

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Country Garden Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 122 to 257, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- 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 cash flow statement 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 ("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.

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.

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Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of properties over time Refer to note 5 'Critical accounting estimates and judgements' and note 6 'Revenue and segment information' to the consolidated financial statements. Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2019, revenue of the Group from sales of properties was RMB475,012 million, of which RMB96,562 million was recognised on the over time basis. For all property sales, the Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.	To address this key audit matter, we performed audit procedures as follows: In assessing the appropriateness of management's judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have: (i) Understood and evaluated management's procedures in identifying sales contracts with or without right to payment. (ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. (iii) Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment. (iv) Assessed the competence, experience and objectivity of the legal counsel engaged by the management. In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have: (i) Compared the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end. Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.	(ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit. (iii) Assessed the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units. (iv) Assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas. (v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management. (vi) Tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers. We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale Refer to note 5 'Critical accounting estimates and judgements', note 9 'Properties under development' and note 12 'Completed properties held for sale' to the consolidated financial statements. The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB944,450 million and RMB45,781 million respectively as at 31 December 2019, which in total accounted for approximately 52% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.	We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows: (i) Compared the relevant PUD and PHS balances as at 31 December 2019, on a sample basis, against the result of management's NRV assessment made in the prior year to assess, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology. (ii) Tested management's key estimates, on a sample basis, for: • Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location. • Variable selling expenses which are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years. • Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

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 Audit Committee 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.

The Audit Committee is 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 RMB million	2018 RMB million
Non-current assets			
Property, plant and equipment	7	**24,240**	23,421
Investment properties	8	**12,923**	16,435
Intangible assets		**745**	670
Land use rights	3	**–**	2,496
Right-of-use assets	3	**4,447**	–
Properties under development	9	**134,150**	107,812
Investments in joint ventures	10(b)	**34,954**	27,891
Investments in associates	10(c)	**17,159**	18,768
Financial assets at fair value through other comprehensive income	11	**3,282**	1,796
Derivative financial instruments	22	**2,648**	992
Trade and other receivables	14	**14,056**	10,962
Deferred income tax assets	30	**27,031**	18,701
		275,635	229,944
Current assets			
Properties under development	9	**810,300**	626,937
Completed properties held for sale	12	**45,781**	44,338
Inventories	13	**11,781**	8,822
Trade and other receivables	14	**438,195**	426,397
Contract assets and contract acquisition costs	15	**24,020**	17,094
Prepaid income tax		**24,712**	21,350
Restricted cash	16	**19,363**	14,200
Cash and cash equivalents	17	**248,985**	228,343
Financial assets at fair value through profit or loss	18	**7,933**	12,019
Derivative financial instruments	22	**447**	250
		1,631,517	1,399,750
Current liabilities			
Contract liabilities	20	**646,996**	562,800
Trade and other payables	19	**594,548**	498,821
Receipts under securitisation arrangements	21	**279**	794
Current income tax liabilities		**40,367**	30,783
Senior notes	23	**7,343**	2,238
Corporate bonds	24	**28,850**	23,964
Convertible bonds	25	**22**	8,051
Bank and other borrowings	26	**80,057**	91,844
Lease liabilities	3	**258**	–
Derivative financial instruments	22	**32**	111
		1,398,752	1,219,406
Net current assets		**232,765**	180,344
Total assets less current liabilities		**508,400**	410,288

	Note	As at 31 December 2019 RMB million	2018 RMB million
Non-current liabilities			
Senior notes	23	**57,550**	39,478
Corporate bonds	24	**17,550**	17,944
Convertible bonds	25	**5,495**	5,117
Bank and other borrowings	26	**172,736**	139,839
Lease liabilities	3	**651**	–
Deferred government grants		**215**	249
Deferred income tax liabilities	30	**32,763**	32,224
Derivative financial instruments	22	**2,832**	2,029
		289,792	236,880
Equity attributable to owners of the Company			
Share capital and premium	27	**29,751**	27,881
Other reserves	29	**12,472**	8,247
Retained earnings	29	**109,716**	85,202
		151,939	121,330
Non-controlling interests		**66,669**	52,078
Total equity		**218,608**	173,408
Total equity and non-current liabilities		**508,400**	410,288

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 122 to 257 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

MO Bin
Director

YANG Ziying
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Revenue	6	**485,908**	379,079
Cost of sales	32	**(359,271)**	(276,603)
Gross profit		**126,637**	102,476
Other income and gains — net	31	**3,288**	4,344
Gains arising from changes in fair value of and transfer to investment properties	8	**126**	1,732
Selling and marketing costs	32	**(16,365)**	(12,533)
Administrative expenses	32	**(17,538)**	(16,601)
Research and development expenses	32	**(1,973)**	(1,224)
Net impairment losses on financial and contract assets	4(a)(iii)	**(1,515)**	(1,176)
Operating profit		**92,660**	77,018
Finance income	34	**2,371**	2,445
Finance costs	34	**(1,200)**	(1,097)
Finance income — net	34	**1,171**	1,348
Share of results of joint ventures and associates	10(b), 10(c)	**5,108**	1,197
Profit before income tax		**98,939**	79,563
Income tax expenses	35	**(37,737)**	(31,021)
Profit for the year		**61,202**	48,542
Profit attributable to:			
— Owners of the Company		**39,550**	34,618
— Non-controlling interests		**21,652**	13,924
		61,202	48,542
Earnings per share attributable to owners of the Company (expressed in RMB yuan per share)			
Basic	38	**1.85**	1.61
Diluted	38	**1.79**	1.55

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Profit for the year		**61,202**	48,542
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
— Change in fair value of financial assets at fair value through other comprehensive income	29	**195**	107
— Revaluation gains on properties upon transfer from right-of-use assets		**91**	–
Items that may be reclassified to profit or loss:			
— Deferred (losses)/gains on cash flow hedges	22(e)	**(36)**	35
— Deferred gains/(costs) of hedging	22(e)	**487**	(1,099)
— Currency translation differences		**(565)**	(67)
Total other comprehensive income/(loss) for the year, net of tax		**172**	(1,024)
Total comprehensive income for the year		**61,374**	47,518
Total comprehensive income attributable to:			
— Owners of the Company		**39,749**	33,619
— Non-controlling interests		**21,625**	13,899
		61,374	47,518

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 premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2019	27,881	8,247	85,202	121,330	52,078	173,408
Comprehensive income						
Profit for the year	–	–	39,550	39,550	21,652	61,202
Other comprehensive income	–	166	33	199	(27)	172
Total comprehensive income for the year	–	166	39,583	39,749	21,625	61,374
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	1,413	1,413
Transfer to statutory reserve	–	3,863	(3,863)	–	–	–
Issue of shares as a result of scrip dividend (notes 27, 36 and 37(d))	2,048	–	(2,048)	–	–	–
Buy-back of shares (note 27(a))	(322)	–	–	(322)	–	(322)
Cash dividends	–	–	(9,468)	(9,468)	(2,598)	(12,066)
Employee share schemes						
– Value of employee services (note 28)	–	336	–	336	–	336
– Issue of shares pursuant to share option scheme (notes 27 and 29)	144	(9)	–	135	–	135
Redemption of convertible bonds upon maturity	–	(220)	220	–	–	–
Non-controlling interests arising from business combinations (note 43)	–	–	–	–	1,739	1,739
Disposals of subsidiaries (note 42)	–	(90)	90	–	(6,765)	(6,765)
Changes in ownership interests in subsidiaries without change of control (note 41)	–	179	–	179	(823)	(644)
Total transactions with owners	1,870	4,059	(15,069)	(9,140)	(7,034)	(16,174)
Balance at 31 December 2019	29,751	12,472	109,716	151,939	66,669	218,608

	Attributable to owners of the Company					
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2018	24,461	5,943	63,267	93,671	22,941	116,612
Comprehensive income						
Profit for the year	–	–	34,618	34,618	13,924	48,542
Other comprehensive income	–	(999)	–	(999)	(25)	(1,024)
Total comprehensive income for the year	–	(999)	34,618	33,619	13,899	47,518
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	6,237	6,237
Transfer to statutory reserve	–	2,022	(2,022)	–	–	–
Issue of shares as a result of placing	6,330	–	–	6,330	–	6,330
Issue of shares as a result of scrip dividend	9	–	–	9	–	9
Buy-back of shares	(2,965)	–	–	(2,965)	–	(2,965)
Dividends	–	–	(9,441)	(9,441)	–	(9,441)
Distribution in specie	–	(490)	(1,275)	(1,765)	(25)	(1,790)
Employee share schemes (note 28)						
– Value of employee services	–	354	–	354	–	354
– Issue of shares pursuant to share option scheme	46	(33)	–	13	–	13
Equity component of convertible bonds issued	–	375	–	375	–	375
Early redemption of convertible bonds	–	(155)	55	(100)	–	(100)
Non-controlling interests arising from business combinations	–	–	–	–	9,522	9,522
Disposals of subsidiaries	–	–	–	–	(497)	(497)
Changes in ownership interests in subsidiaries without change of control	–	(127)	–	(127)	1	(126)
Total transactions with owners	3,420	1,946	(12,683)	(7,317)	15,238	7,921
Other transaction						
Issue of written call options	–	1,357	–	1,357	–	1,357
Balance at 31 December 2018	27,881	8,247	85,202	121,330	52,078	173,408

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from operating activities			
Cash generated from operations	37(a)	**79,036**	83,147
Income tax paid		**(41,041)**	(35,698)
Interest paid		**(23,329)**	(18,068)
Net cash generated from operating activities		**14,666**	29,381
Cash flows from investing activities			
Net cash outflow on acquisitions of subsidiaries	43	**(972)**	(2,434)
Proceeds from disposals of property, plant and equipment	37(b)	**450**	152
Net cash outflow on disposals of subsidiaries	42	**(6,600)**	(448)
Purchases of property, plant and equipment	7	**(2,693)**	(3,230)
Payments for investment properties	8	**(341)**	(139)
Purchases of intangible assets and land use rights		**(135)**	(427)
Purchases of right-of-use assets		**(1,274)**	–
Payments related to investments in joint ventures		**(3,533)**	(6,641)
Payments related to investments in associates		**(1,333)**	(6,550)
Deposits related to equity transactions		**(8,514)**	(10,366)
Loans advanced to related and third parties		**–**	(30)
Repayments from loans to third parties		**680**	2,780
Payments for financial assets at fair value through other comprehensive income	11	**(1,462)**	(158)
Proceeds from disposals of financial assets at fair value through other comprehensive income	11	**236**	–
Payments for financial assets at fair value through profit or loss		**(22,342)**	(12,156)
Proceeds from disposals of financial assets at fair value through profit or loss		**26,363**	24,918
Dividend income from financial assets at fair value through other comprehensive income		**8**	15
Interest received	34	**2,371**	2,445
Net cash used in investing activities		**(19,091)**	(12,269)

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from financing activities			
Capital injections from non-controlling interests		**1,413**	6,237
Buy-back of shares	27(a)	**(322)**	(2,965)
Net proceeds used in transactions with non-controlling interests	41	**(644)**	(126)
Issue of shares as a result of placing		**–**	6,330
Issue of shares pursuant to share option scheme		**135**	13
Net cash distributed in respect of distribution in specie		**–**	(3,085)
Issue of senior notes	23	**23,081**	16,324
Redemption and repayment of senior notes	23	**(1,723)**	(8,406)
Issue of corporate bonds	24	**11,743**	5,732
Repayment of corporate bonds	24	**(7,650)**	(14,534)
Issue of convertible bonds		**–**	19,322
Redemption of convertible bonds	25	**(7,869)**	(5,686)
Issue of written call options		**–**	472
Payments for purchased call options		**–**	(864)
Settlement of derivative financial instruments		**(213)**	(382)
Repayments of receipts under securitisation arrangements		**(551)**	(1,011)
Principal elements of lease payments		**(252)**	–
Dividends paid to owners of the Company		**(9,468)**	(9,432)
Dividends paid to non-controlling interests		**(942)**	–
Proceeds from bank and other borrowings	37(c)	**112,046**	108,918
Repayments of bank and other borrowings	37(c)	**(93,527)**	(43,025)
Net cash generated from financing activities		**25,257**	73,832
Net increase in cash and cash equivalents		**20,832**	90,944
Cash and cash equivalents at the beginning of the year		**228,343**	137,084
Exchange (losses)/gains on cash and cash equivalents		**(190)**	315
Cash and cash equivalents at the end of the year	17	**248,985**	228,343

The above consolidated cash flows statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Country Garden Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2006 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 Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the "Group") are principally engaged in the property development, construction, property investment and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2020.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

*(i) **Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and the Hong Kong Companies Ordinance***

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and requirements under the Hong Kong Companies Ordinance Cap. 622.

*(ii) **Historical cost convention***

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), derivative financial instruments and investment properties, which are carried at fair value.

*(iii) **New and amended standards and interpretation adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Annual improvements to HKFRS standards 2015–2017 cycle	
Amendments to HKAS 19	Plan amendment, curtailment or settlement
HK (IFRIC) 23	Uncertainty over income tax treatment

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(iii) New and amended standards and interpretation adopted by the Group *(Continued)*

Except for HKFRS 16, the adoption of these amendments and interpretation to existing standards did not have any impact on the amounts recognised in prior periods and current period, and are not expected to significantly affect future periods. Impact of the adoption of HKFRS 16 is disclosed in note 3.

(iv) New, revised and amended standards not yet adopted

Certain new and revised standards, amendments to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
Amendments to HKAS 39, HKFRS 9 and HKFRS 7	Interest rate benchmark reform	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 associates or joint ventures	To be determined

The above new and revised standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for HKFRS 17. The Group will assess the impact of HKFRS 17 on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(i) 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, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the 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.

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(i) Business combinations (Continued)

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 with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners 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.

(iii) Disposals 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 HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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. 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. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

- Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

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 profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.4 Joint arrangements

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. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- Goodwill relating to a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

- Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

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. 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests 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. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2 **Summary of significant accounting policies** *(Continued)*

2.6 Foreign currency translation

(i) ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income — net '. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income — net', except when capitalised on the basis set out in note 2.26. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains — net'.

(iii) ***Group companies***

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income 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.

2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. 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 profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–8 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 2.11).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains — net' in the consolidated income statement.

2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value.

2 Summary of significant accounting policies *(Continued)*

2.8 Investment properties *(Continued)*

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 the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

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 profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2.9 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies *(Continued)*

2.9 Intangible assets *(Continued)*

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(iii) Research and development expenses

Research and development expenditures that do not meet the capitalised criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.10 Leases

The Group leases various properties. These property lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee 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, long-term leases are recognised as a right-of-use asset 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 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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 **Summary of significant accounting policies** *(Continued)*

2.10 Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual 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, e.g. 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.

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 liabilities;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and low-value assets leases 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. Low-value assets comprise IT equipment and small items of office furniture.

2 Summary of significant accounting policies *(Continued)*

2.10 Leases *(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 8). 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.

2.11 Impairment of non-financial assets

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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

(i) 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 ("OCI"), 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 OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.12 Financial assets *(Continued)*

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that 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.

- Fair value through other comprehensive income: 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 measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other income and gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statement within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

2 **Summary of significant accounting policies** *(Continued)*

2.12 Financial assets *(Continued)*

(ii) Recognition and measurement *(Continued)*

Equity instruments

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 OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other income and gains — net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2.13 Impairment of financial assets and contract assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a)(iii) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets and all trade and other receivables (excluding deposits for acquisitions of companies, prepayment and loans to third parties), the Group applies the simplified approach permitted by HKFRS 9 — Financial instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within 'other income and gains — net'.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.14 Derivative financial instruments and hedging activities *(Continued)*

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/(costs) — net'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.14 Derivative financial instruments and hedging activities *(Continued)*

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.17 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.18 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade and other receivables

Trade receivables are amounts due from buyers 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.20 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. 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 buyer as contract acquisition cost within contract assets if the Group expects to recover those costs.

2.21 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies *(Continued)*

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the owners of Company.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

2.24 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 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.

2.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.26 Borrowing costs

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 adjustments to interest costs include the interest rate differences 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 for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.27 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2 Summary of significant accounting policies *(Continued)*

2.28 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.29 Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

2.30 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company and its subsidiaries 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.

2 Summary of significant accounting policies *(Continued)*

2.30 Current and deferred income tax *(Continued)*

(ii) 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 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 date of statement of financial position 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 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 liabilities are 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 joint venture's or 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.

(iii) 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(Continued)*

2.31 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonus and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.32 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.32 Share-based payments *(Continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.33 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)*

2.34 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision 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 the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. 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 buyer; or
- creates and enhances an asset that the buyer 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 buyer obtains control of the asset.

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

(i) Sales of properties and rendering of construction services

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at point in time.

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, by reference to the construction (excluding land cost and borrowing cost) costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract.

2 **Summary of significant accounting policies** *(Continued)*

2.34 Revenue recognition *(Continued)*

(i) ***Sales of properties and rendering of construction services*** *(Continued)*

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer 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.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For rendering of construction services, usually there is only one single performance in a contract, the Group's performance creates or enhances an asset or work in progress that the buyer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) ***Hotel operation***

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

Revenue from other sources

Rental income

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

2.35 Interest 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).

2.36 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies *(Continued)*

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property buyers and financial guarantee contracts provided to its related parties as insurance contracts.

3 Change in accounting policies

As indicated in note 2.1(iii) above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. 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 2.10.

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 of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.5%.

3 **Change in accounting policies** *(Continued)*

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short–term leases;
- excluding initial direct costs for the measurement of the right–of–use asset at the date of initial application; and
- using 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) – Int 4 "Determining whether an Arrangement contains a Lease".

(b) Measurement of lease liabilities

	RMB million
Operating lease commitments disclosed as at 31 December 2018	317
Discounted using the lessee's incremental borrowing rate of at the date of initial application	269
Less: short–term leases not recognised as a liability	(25)
Lease liabilities recognised as at 1 January 2019	**244**

3 **Change in accounting policies** *(Continued)*

(b) Measurement of lease liabilities *(Continued)*

The recognised lease liabilities relate to the following types of liabilities:

	31 December 2019 RMB million	1 January 2019 RMB million
Current lease liabilities	**258**	75
Non–current lease liabilities	**651**	169
Total lease liabilities	**909**	244

(c) Measurement of right–of–use assets

Right–of–use assets were measured at the amount equal to the lease liabilities, 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 recognised right–of–use assets relate to the following types of assets:

	31 December 2019 RMB million	1 January 2019 RMB million
Leased properties	**746**	244
Land use rights (reclassified from the financial statement line item “land use rights”)	**3,701**	2,496
Total right–of–use assets	**4,447**	2,740

The land use rights are held for self–use. The land use rights located in Mainland China, amounting to RMB2,914 million (2018: RMB1,745 million) are held on leases of between 10 to 50 years.

As at 31 December 2019, right–of–use assets with net book value of RMB1,611 million (2018: RMB1,557 million) were pledged as collateral for the Group’s bank and other borrowings (note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 **Change in accounting policies** *(Continued)*

(c) **Measurement of right–of–use assets** *(Continued)*

The following table presents the changes of right–of–use assets for the year ended 31 December 2019:

	RMB million
Balance at 31 December 2018	–
Adjustment on adoption of HKFRS 16	2,740
Opening net book amount as at 1 January 2019, as restated	2,740
Additions	2,039
Depreciation	(332)
Closing net book amount as at 31 December 2019	4,447

(d) **Amounts recognised in the consolidated income statement**

The consolidated income statement shows the following amounts relating to leases:

	2019 RMB million
Depreciation charge of right–of–use assets	
Leased properties	(263)
Land use rights	(69)
	(332)
Interest expense (included in finance cost)	(63)
Expense relating to short–term leases and low–value assets leases (included in cost of sales, selling and marketing costs and administrative expenses)	(209)

The total cash outflow for leases in 2019 was RMB1,798 million.

3 **Change in accounting policies** *(Continued)*

(e) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right–of–use assets – increased by RMB2,740 million;
- lease liabilities – increased by RMB244 million;
- land use rights – decrease by RMB2,496 million.

There was no net impact on retained earnings on 1 January 2019.

(f) 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.

4 **Financial risk management**

The Group conducts its operations mainly in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and debt financing to fund its operations. The Group has alternative plans (refer to note 4(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of its assets is denominated in RMB. The majority of its non–RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non–RMB and net investment in foreign operations.

The Group applies various types of derivative financial instruments (foreign exchange forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives contracts) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(i) ***Foreign exchange risk*** *(Continued)*

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one–to–one hedge ratio with the hedged items. In view of the structure of the hedging activities, no significant ineffectiveness is expected at inception.

The aggregated carrying amount of the foreign currency denominated monetary assets and monetary liabilities of group companies at the respective dates of statement of financial position are as follows:

	2019 RMB million	2018 RMB million
Assets		
HKD	**242**	826
USD	**2,626**	3,138
Other currencies	**314**	651
	3,182	4,615
Liabilities		
HKD	**14,070**	7,889
USD	**88,920**	63,352
Other currencies	**4,737**	4,653
	107,727	75,894

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(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 monetary items and adjusts their translation at the year–end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on profit before tax for the year without taking into account the hedging effects would be as follows:

	Change of profit before tax – increase/(decrease)	
	2019	2018
	RMB million	RMB million
RMB against HKD:		
Strengthened by 5%	**691**	353
Weakened by 5%	**(691)**	(353)
RMB against USD:		
Strengthened by 5%	**4,315**	3,011
Weakened by 5%	**(4,315)**	(3,011)

(ii) ***Cash flow and fair value interest rate risk***

The Group's interest rate risk arises from interest–bearing bank deposits, senior notes, corporate bonds, convertible bonds, receipts under securitisation arrangements, bank and other borrowings and lease liabilities. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest–rate risk. Senior notes, corporate bonds, convertible bonds and receipts under securitisation arrangements issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration including refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for financial liabilities that represent the major interest–bearing positions.

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(ii) ***Cash flow and fair value interest rate risk*** *(Continued)*

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

The exposure of the Group's total borrowings and lease liabilities (notes 3, 23, 24, 25 and 26) to interest rate changes and the contractual maturity dates of the total borrowings at the end of the year are as follows:

	2019 RMB million	2018 RMB million
Variable rate borrowings	**215,175**	197,259
Other borrowings and lease liabilities – maturity dates:		
1 year or less	**48,792**	53,460
1–2 years	**36,348**	24,644
2–5 years	**49,197**	41,996
Over 5 years	**21,000**	11,116
	370,512	328,475

As at 31 December 2019, borrowings of the Group which were bearing at floating rates amounted to approximately RMB215,175 million (2018: RMB197,259 million). As at 31 December 2019, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB1,076 million (2018: RMB986 million).

(iii) ***Credit risk***

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, derivative financial assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, derivative financial assets, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

To manage this risk, bank deposits and derivative financial instruments are mainly placed or entered with state–owned financial institutions and reputable banks which are all high–credit–quality financial institutions. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow–up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 39. No credit limits were exceeded during the year, and management does not expect any significant losses from non–performance by these counterparties.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward–looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of, a financial 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 forward–looking information. In particular, 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;

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

- 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; and
- 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.

i. Loans to third parties

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the third parties are B as compared with the market ratings of similar companies by certain credit rating agencies.

A summary of the assumptions underlying the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Buyers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non–performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write–off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

i. Loans to third parties (Continued)

As at 31 December 2019 and 2018, the internal credit rating of loans to third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as securities against the loans.

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2019, the Group provided for credit losses against loans to third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	**B**	**1%~12%**	**12 months expected losses**	**Gross carrying amount**

No significant change to estimation techniques or assumptions was made during the year.

As at 31 December 2019, the gross carrying amount of loans to third parties was RMB16 million (2018: RMB696 million). After deducting impairment provision of RMB2 million (2018: RMB9 million), the maximum exposure to loss was RMB14 million (2018: RMB687 million). The Group made no write–off of loans to third parties during the year (2018: nil).

ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets

The Group applies the 12 months expected losses approach to provide for expected credit losses prescribed by HKFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties), and adjusts for forward looking macroeconomic data.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and trade receivables.

Expected loss rate of contract assets is assessed to be 0.1% (2018: 0.1%). As at 31 December 2019, the loss allowance provision for contract assets was not material.

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets (Continued)

As at 31 December 2019, the loss allowance provision was determined as follows.

2019

Trade receivables	**Current**	**More than 90 days past due**	**More than 180 days past due**	**Total**
Expected loss rate	**0.1%**	**2.0%**	**5.0%**	
Gross carrying amount (RMB million)	**36,019**	**2,205**	**1,810**	**40,034**
Loss allowance provision (RMB million)	**36**	**44**	**91**	**171**

Other receivables (excluding deposits for acquisitions for companies, prepayments and loans to third parties)	**Current**	**More than 180 days past due**	**More than 1 year past due**	**More than 2 years past due**	**More than 3 years past due**	**Total**
Expected loss rate	**0.1%**	**1.0%**	**10.0%**	**15.0%**	**20.0%**	
Gross carrying amount (RMB million)	**254,736**	**22,648**	**13,746**	**6,005**	**3,132**	**300,267**
Loss allowance provision (RMB million)	**255**	**226**	**1,375**	**901**	**626**	**3,383**

2018

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	38,153	1,329	1,242	40,724
Loss allowance provision (RMB million)	38	27	62	127

Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	225,187	15,162	9,178	2,040	1,520	253,087
Loss allowance provision (RMB million)	225	152	918	306	304	1,905

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iii) ***Credit risk*** *(Continued)*

ii. Trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets (Continued)

As at 31 December 2019, the loss allowance provision for trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	Other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) RMB million	Total RMB million
Loss allowance as at 1 January 2018	110	719	829
Provision for loss allowance recognised in profit or loss during the year	17	1,186	1,203
Loss allowance as at 31 December 2018 and 1 January 2019	127	1,905	2,032
Provision for loss allowance recognised in profit or loss during the year	44	1,478	1,522
Loss allowance as at 31 December 2019	**171**	**3,383**	**3,554**

As at 31 December 2019, the gross carrying amount of trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) was RMB340,301 million (2018: RMB293,811 million) and the maximum exposure to loss was RMB336,747 million (2018: RMB291,779 million). The Group made no write–off of trade and other receivables (excluding deposits for acquisitions of companies, prepayments and loans to third parties) and contract assets during the year (2018: nil).

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

*(iv) **Liquidity risk***

Management aims at maintaining sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2020. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2020 include: (1) construction payments match receipt of the relevant proceeds from pre–sales; (2) available project loan facility is expected to be no less than that of 2019; and (3) no breach of debt covenants is anticipated in 2020, as the management will closely monitor the compliance status of the covenants for all borrowings.

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 reducing the amount of acquisition of land, adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group will base on its assessment of the relevant future costs and benefits to pursue such options as appropriate. The directors of the Company consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non–derivative financial liabilities and net–settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the statement of financial position to the contractual maturity 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 and include interest, if applicable.

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iv) ***Liquidity risk*** *(Continued)*

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2019					
Senior notes	10,198	9,649	38,672	22,569	81,088
Bank and other borrowings	96,261	132,663	51,777	2,817	283,518
Corporate bonds	29,781	12,856	6,244	–	48,881
Convertible bonds	316	316	7,330	–	7,962
Receipts under securitisation arrangements	286	–	–	–	286
Trade and other payables (excluding other taxes payable and salaries payable)	532,772	–	–	–	532,772
Derivative financial instruments	32	44	2,788	–	2,864
Lease liabilities	310	182	267	454	1,213
Total	669,956	155,710	107,078	25,840	958,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 **Financial risk management** *(Continued)*

(a) **Financial risk factors** *(Continued)*

(iv) ***Liquidity risk*** *(Continued)*

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2018					
Senior notes	4,224	8,389	26,799	12,276	51,688
Bank and other borrowings	106,941	82,012	64,525	7,218	260,696
Corporate bonds	26,016	10,865	8,632	–	45,513
Convertible bonds	8,386	309	7,787	–	16,482
Receipts under securitisation arrangements	832	–	–	–	832
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	–	–	–	447,987
Derivative financial instruments	111	239	1,790	–	2,140
Total	594,497	101,814	109,533	19,494	825,338

(b) **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back of shares, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including senior notes, corporate bonds, convertible bonds and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and restricted cash.

4 **Financial risk management** *(Continued)*

(b) Capital management *(Continued)*

The gearing ratio as at 31 December 2019 and 2018 were as follows:

	2019 RMB million	2018 RMB million
Total borrowings (notes 23, 24, 25 and 26)	**369,603**	328,475
Less: Cash and cash equivalents (note 17)	**(248,985)**	(228,343)
Restricted cash (note 16)	**(19,363)**	(14,200)
Net debt	**101,255**	85,932
Total equity	**218,608**	173,408
Gearing ratio	**46%**	50%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

(c) Fair value estimation

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

4 **Financial risk management** *(Continued)*

(c) **Fair value estimation** *(Continued)*

	Level 1 RMB million	**Level 2 RMB million**	**Level 3 RMB million**	**Total RMB million**
At 31 December 2019				
Assets				
Financial assets at FVOCI	**63**	**–**	**3,219**	**3,282**
Derivative financial instruments	**–**	**3,095**	**–**	**3,095**
Financial assets at FVTPL	**195**	**7,738**	**–**	**7,933**
Total	**258**	**10,833**	**3,219**	**14,310**
Liabilities				
Derivative financial instruments	**–**	**2,864**	**–**	**2,864**

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2018				
Assets				
Financial assets at FVOCI	94	–	1,702	1,796
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	259	11,760	–	12,019
Total	353	13,002	1,702	15,057
Liabilities				
Derivative financial instruments	–	2,140	–	2,140

4 **Financial risk management** *(Continued)*

(c) **Fair value estimation** *(Continued)*

(i) ***Financial instruments in level 2***

The fair value of financial instruments that are not traded in an active market 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.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives contracts and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted by financial institutions.

For Level 2 financial assets at FVTPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs.

(ii) ***Financial instruments in level 3***

The following table presents the changes in level 3 instruments for the year ended 31 December 2019 and 2018:

	2019 **RMB million**	2018 RMB million
Opening balance	**1,702**	1,517
Additions	**1,462**	158
Fair value changes	**291**	121
Disposals	**(236)**	–
Transfer to Level 1	**–**	(94)
Closing balance	**3,219**	1,702

There is no unrealised gain or loss recognised in profit or loss in the current year (2018: nil) attributable to balances held at the end of the reporting period.

There were no transfers between level 1, 2 and 3 during the year.

There were no changes in valuation techniques during the year.

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4 **Financial risk management** *(Continued)*

(d) Financial instruments by category

	2019			
	Assets at FVOCI RMB million	**Assets at FVTPL RMB million**	**Assets at amortised cost RMB million**	**Total RMB million**
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	**3,282**	**–**	**–**	**3,282**
Trade and other receivables excluding deposits and prepayments	**–**	**–**	**336,761**	**336,761**
Restricted cash	**–**	**–**	**19,363**	**19,363**
Cash and cash equivalents	**–**	**–**	**248,985**	**248,985**
Derivative financial instruments	**–**	**3,095**	**–**	**3,095**
Financial assets at FVTPL	**–**	**7,933**	**–**	**7,933**
Total	**3,282**	**11,028**	**605,109**	**619,419**

	2018			
	Assets at FVOCI RMB million	Assets at FVTPL RMB million	Assets at amortised cost RMB million	Total RMB million
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,796	–	–	1,796
Trade and other receivables excluding deposits and prepayments	–	–	292,466	292,466
Restricted cash	–	–	14,200	14,200
Cash and cash equivalents	–	–	228,343	228,343
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	–	12,019	–	12,019
Total	1,796	13,261	535,009	550,066

4 **Financial risk management** *(Continued)*

(d) **Financial instruments by category** *(Continued)*

	2019		
	Liabilities at amortised cost RMB million	**Liabilities at FVTPL RMB million**	**Total RMB million**
Liabilities as per consolidated statement of financial position			
Senior notes	**64,893**	**–**	**64,893**
Convertible bonds	**5,517**	**–**	**5,517**
Corporate bonds	**46,400**	**–**	**46,400**
Bank and other borrowings	**252,793**	**–**	**252,793**
Trade and other payables (excluding other taxes payable and salaries payable)	**532,772**	**–**	**532,772**
Receipts under securitisation arrangements	**279**	**–**	**279**
Derivative financial instruments	**–**	**2,864**	**2,864**
Lease liabilities	**909**	**–**	**909**
Total	**903,563**	**2,864**	**906,427**

	2018		
	Liabilities at amortised cost RMB million	Liabilities at FVTPL RMB million	Total RMB million
Liabilities as per consolidated statement of financial position			
Senior notes	41,716	–	41,716
Convertible bonds	13,168	–	13,168
Corporate bonds	41,908	–	41,908
Bank and other borrowings	231,683	–	231,683
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	–	447,987
Receipts under securitisation arrangements	794	–	794
Derivative financial instruments	–	2,140	2,140
Total	777,256	2,140	779,396

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5 Critical accounting estimates and judgements

Estimates and judgements used in preparing the 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) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

5 Critical accounting estimates and judgements *(Continued)*

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The carrying amounts of properties under development and completed properties held for sale amounted to RMB944,450 million (2018: RMB734,749 million) and RMB45,781 million (2018: RMB44,338 million) respectively as at 31 December 2019, which in total accounted for approximately 52% (2018: 48%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2019.

(c) Income taxes and deferred income tax

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

Deferred 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.

6 Revenue and segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors of the Company assessed the performance and operations of the Group and concluded that the Group only has two reportable segments — Property development and Construction, and the other segments are individually and collectively insignificant for segment reporting purposes.

The executive directors of the Company assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments, and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, right-of-use assets (2018: land use rights), investment properties, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid income tax, contract assets and contract acquisition costs and operating cash. They exclude financial assets at FVOCI, derivative financial instruments, deferred income tax assets and financial assets at FVTPL. Segment liabilities consist primarily of operating liabilities. They exclude receipts under securitisation arrangements, current income tax liabilities, senior notes, corporate bonds, convertible bonds, bank and other borrowings, derivative financial instruments and deferred income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 8), intangible assets and right-of-use assets (2018: land use rights) (note 3), excluding those arising from business combinations.

6 Revenue and segment information *(Continued)*

Revenue consists of the following:

	2019 **RMB million**	2018 RMB million
Sales of properties	**475,012**	369,405
Rendering of construction services	**6,219**	5,265
Rental income	**412**	227
Rendering of property management services	**–**	1,632
Rendering of hotel services and others	**4,265**	2,550
	485,908	379,079

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information *(Continued)*

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2019 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	475,012	51,141	22,806	548,959
— Recognised at a point in time	378,450	–	20,851	399,301
— Recognised over time	96,562	51,141	1,955	149,658
Revenue from other source				
— Rental income	–	–	412	412
Segment revenue	475,012	51,141	23,218	549,371
Inter-segment revenue	–	(44,922)	(18,541)	(63,463)
Revenue from external customers	475,012	6,219	4,677	485,908
Share of results of joint ventures and associates	5,217	–	(109)	5,108
Gains arising from changes in fair value of and transfer to investment properties	–	–	126	126
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and right-of-use assets	750	50	748	1,548
Net impairment losses on financial and contract assets	1,396	31	88	1,515
Segment results	97,601	244	(385)	97,460
At 31 December 2019				
Total segment assets after elimination of inter-segment balances	1,715,742	37,701	112,368	1,865,811
Investments in joint ventures and associates	51,861	–	252	52,113
Capital expenditure	2,091	157	2,960	5,208
Total segment liabilities after elimination of inter-segment balances	1,120,310	30,489	91,869	1,242,668

6 Revenue and segment information *(Continued)*

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	369,405	38,619	12,634	420,658
— Recognised at a point in time	291,743	–	8,876	300,619
— Recognised over time	77,662	38,619	3,758	120,039
Revenue from other source				
— Rental income	–	–	227	227
Segment revenue	369,405	38,619	12,861	420,885
Inter-segment revenue	–	(33,354)	(8,452)	(41,806)
Revenue from external customers	369,405	5,265	4,409	379,079
Share of results of joint ventures and associates	1,250	–	(53)	1,197
Gains arising from changes in fair value of and transfer to investment properties	–	–	1,732	1,732
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and land use rights	366	51	627	1,044
Net impairment losses on financial and contract assets	1,117	16	43	1,176
Segment results	75,566	351	2,276	78,193
At 31 December 2018				
Total segment assets after elimination of inter-segment balances	1,519,796	21,951	54,189	1,595,936
Investments in joint ventures and associates	46,431	–	228	46,659
Capital expenditure	1,792	32	1,972	3,796
Total segment liabilities after elimination of inter-segment balances	1,022,717	19,023	20,130	1,061,870

6 **Revenue and segment information** *(Continued)*

Reportable segment results are reconciled to net profit as follows:

	2019 RMB million	2018 RMB million
Total segment results	**97,460**	78,193
Changes in fair value of derivative financial instruments	**308**	22
Finance income — net	**1,171**	1,348
Profit before income tax	**98,939**	79,563
Income tax expenses	**(37,737)**	(31,021)
Profit for the year	**61,202**	48,542

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2019 RMB million	2018 RMB million
Total segment assets after elimination of inter-segment balances	**1,865,811**	1,595,936
Financial assets at FVOCI	**3,282**	1,796
Derivative financial instruments	**3,095**	1,242
Deferred income tax assets	**27,031**	18,701
Financial assets at FVTPL	**7,933**	12,019
Total assets	**1,907,152**	1,629,694
Total segment liabilities after elimination of inter-segment balances	**1,242,668**	1,061,870
Receipts under securitisation arrangements	**279**	794
Current income tax liabilities	**40,367**	30,783
Senior notes	**64,893**	41,716
Corporate bonds	**46,400**	41,908
Convertible bonds	**5,517**	13,168
Bank and other borrowings	**252,793**	231,683
Derivative financial instruments	**2,864**	2,140
Deferred income tax liabilities	**32,763**	32,224
Total liabilities	**1,688,544**	1,456,286

7 Property, plant and equipment

	Buildings and land RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2019						
Opening net book amount	15,988	617	659	987	5,170	23,421
Acquisitions of subsidiaries (note 43)	124	3	5	67	56	255
Other additions	118	496	18	107	1,954	2,693
Transfer	1,940	–	–	–	(1,940)	–
Disposals of subsidiaries	(273)	(8)	–	–	(115)	(396)
Other disposals	(73)	(35)	(96)	(174)	–	(378)
Depreciation	(601)	(217)	(202)	(445)	–	(1,465)
Exchange differences	52	9	4	19	26	110
Closing net book amount	17,275	865	388	561	5,151	24,240
At 31 December 2019						
Cost	20,550	1,603	1,650	2,725	5,151	31,679
Accumulated depreciation	(3,275)	(738)	(1,262)	(2,164)	–	(7,439)
Net book amount	17,275	865	388	561	5,151	24,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment *(Continued)*

	Buildings and land RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2018						
Cost	15,948	1,050	1,574	1,823	5,860	26,255
Accumulated depreciation	(1,953)	(376)	(1,004)	(1,294)	–	(4,627)
Net book amount	13,995	674	570	529	5,860	21,628
Year ended 31 December 2018						
Opening net book amount	13,995	674	570	529	5,860	21,628
Acquisitions of subsidiaries	344	48	–	359	–	751
Other additions	173	101	299	562	2,095	3,230
Transfer	2,016	–	–	–	(2,016)	–
Disposals of subsidiaries	(11)	(38)	(21)	(10)	(771)	(851)
Other disposals	(22)	(18)	(20)	(64)	–	(124)
Depreciation	(556)	(156)	(174)	(389)	–	(1,275)
Exchange differences	49	6	5	–	2	62
Closing net book amount	15,988	617	659	987	5,170	23,421
At 31 December 2018						
Cost	18,934	1,138	1,685	2,734	5,170	29,661
Accumulated depreciation	(2,946)	(521)	(1,026)	(1,747)	–	(6,240)
Net book amount	15,988	617	659	987	5,170	23,421

7 Property, plant and equipment *(Continued)*

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated income statement respectively:

	2019 **RMB million**	2018 RMB million
Properties under development	**366**	366
Cost of sales	**344**	310
Selling and marketing costs	**85**	95
Administrative expenses and research and development expenses	**670**	504
	1,465	1,275

As at 31 December 2019, buildings with net book value of RMB3,338 million (2018: RMB2,845 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

As at 31 December 2019, title certificates of buildings with net book value of RMB1,990 million (2018: RMB2,584 million) were still in the process of being obtained.

8 Investment properties

	11 July 1905 **RMB million**	2018 RMB million
At 1 January	**16,435**	8,338
Acquisitions of subsidiaries	**–**	2,862
Transfer from properties under development and completed properties held for sale	**1,278**	4,170
Other additions	**341**	139
Transfer from right-of-use assets	**153**	–
Revaluation gains upon transfer from right-of-use	**121**	–
Revaluation gains upon transfer from properties under development and completed properties held for sale	**340**	1,516
Fair value changes	**(214)**	216
Transfer to properties under development	**(1,655)**	(621)
Disposals of subsidiaries	**(3,876)**	(185)
At 31 December	**12,923**	16,435
Gains arising from changes in fair value of and transfer to investment properties represent:		
— revaluation gains upon transfer of properties under development and completed properties held for sale	**340**	1,516
— fair value changes	**(214)**	216
	126	1,732

8 Investment properties *(Continued)*

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2019 and 2018, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2019 and 2018 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited or Cushman & Wakefield Limited, independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

(i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; or

(ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

(iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits.

There were no changes to the valuation techniques during the year.

8 **Investment properties** *(Continued)*

Valuation techniques *(Continued)*

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2019 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	11,784	Income capitalisation	The rate of return/ capitalisation rate	3.0%–6.0% per annum
			Monthly rental (RMB/square meter/ month)	17–298
		Direct comparison	Adjusted market price (RMB/square meter)	3,700–36,800
Investment properties under construction	865	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	54–1,815
			Remaining percentage to completion	1%–29%
			Anticipated developer's profit margin	6%–20%
Investment properties as sublease	274	Income capitalisation	The rate of return	3.5% per annum
			Monthly rental (RMB/ square meter/month)	78–121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties *(Continued)*

Valuation techniques *(Continued)*

Information about fair value measurements using significant unobservable inputs (level 3) *(Continued)*

	Fair value as at 31 December 2018 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	15,866	Income capitalisation	The rate of return/ capitalisation rate	3%–5.5% per annum
			Monthly rental (RMB/ square meter/month)	11–220
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–36,000
Investment properties under construction	569	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	41–5,580
			Remaining percentage to completion	2%–98%
			Anticipated developer's profit margin	10%–25%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

8 **Investment properties** *(Continued)*

Valuation techniques *(Continued)*

Amounts recognised in profit or loss for investment properties

	2019 RMB million	2018 RMB million
Rental income (note 6)	**412**	227
Direct operating expenses	**(119)**	(37)
	293	190

As at 31 December 2019, investment properties with fair value of RMB43 million (2018: RMB599 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

Leasing arrangements

The investment properties are generally leased to tenants under operating leases with rentals payable monthly. There are no other variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 40.

9 **Properties under development**

	2019 RMB million	2018 RMB million
Properties under development expected to be completed and delivered:		
— Within a normal operating cycle included under current assets	**810,300**	626,937
— Beyond a normal operating cycle included under non-current assets	**134,150**	107,812
	944,450	734,749
Amounts comprise:		
— Construction costs including depreciation and staff cost capitalised	**448,359**	318,756
— Land use rights	**472,920**	398,795
— Borrowing costs capitalised	**23,171**	17,198
	944,450	734,749

The normal operating cycle of the Group's property development generally ranges from one to two years.

At 31 December 2019, properties under development included the costs to fulfil those contracts, the revenue of which is recognised over time, amounting to RMB21,807 million (2018: RMB16,589 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 **Properties under development** *(Continued)*

Cost of sales for the year included RMB10,986 million (2018: RMB5,273 million) of costs brought forward from prior year to fulfil those contracts revenue of which is recognised over time.

The capitalisation rate used to capitalise interest on general borrowings in 2019 was 6,65% per annum (2018: 6.47% per annum).

The properties under development of the Group are located in:

	2019 RMB million	2018 RMB million
Mainland China	**923,942**	717,666
United States	**4,841**	3,159
Malaysia	**4,474**	6,631
Hong Kong	**4,107**	2,903
Australia	**2,124**	1,940
Others	**4,962**	2,450
	944,450	734,749

As at 31 December 2019, land use rights included in properties under development of RMB86,736 million (2018: RMB75,097 million) were pledged as collateral for the Group's bank and other borrowings (note 26).

10(a) **Subsidiaries**

The principal subsidiaries at 31 December 2019 are listed in note 46.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

10(b) **Investments in joint ventures**

	2019 RMB million	2018 RMB million
At 1 January	**27,891**	19,346
Additions	**7,478**	10,268
Disposals	**(3,196)**	(1,613)
Share of results	**2,781**	(110)
— Gains arising from negative goodwill	**82**	51
— Others	**2,699**	(161)
At 31 December	**34,954**	27,891

10(b) Investments in joint ventures *(Continued)*

The balance comprises the following:

	2019 **RMB million**	2018 RMB million
Unlisted investments		
— Share of net assets	**34,512**	27,553
— Goodwill	**442**	338
	34,954	27,891

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was individually significant to the Group. Summary of the acquisitions during the year is as follows:

Total identifiable net assets of joint ventures acquired

	With negative goodwill RMB million	**With goodwill** RMB million	**Total** RMB million
Assets	15,630	1,840	17,470
Liabilities	(12,978)	(1,054)	(14,032)
Total identifiable net assets	2,652	786	3,438

Reconciliation to the Group's interests in the joint ventures

	With negative goodwill RMB million	**With goodwill** RMB million
Fair values of the consideration for the acquisitions	1,039	365
Fair values of the Group's share of identifiable net assets	(1,121)	(225)
(Negative goodwill)/goodwill	(82)	140

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with the Group to resolve liquidity issues or bring in industry expertise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10(b) Investments in joint ventures *(Continued)*

The goodwill arose from the acquisitions of certain property development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2019, certain borrowings of joint ventures were guaranteed by the Group (note 39) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB5,448 million (2018: RMB3,391 million). As at 31 December 2019, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2019 and 2018 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2019 **RMB million**	2018 RMB million
Carrying amount in the consolidated financial statements	**34,954**	27,891
Share of profit/(loss) for the year	**2,781**	(110)
Share of total comprehensive income/(loss) for the year	**2,781**	(110)

10(c) Investments in associates

	2019 **RMB million**	2018 RMB million
At 1 January	**18,768**	11,585
Additions	**1,946**	8,058
Disposals	**(5,882)**	(2,182)
Share of results	**2,327**	1,307
— Gains arising from negative goodwill	**–**	338
— Others	**2,327**	969
At 31 December	**17,159**	18,768

10(c) Investments in associates *(Continued)*

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions during the year are as follows:

Total identifiable net assets of associates acquired

	Total
	RMB million
Assets	444
Liabilities	(382)
Total identifiable net assets	62

Reconciliation to the Group's interests in the associates

	RMB million
Fair values of the consideration for the acquisitions	19
Fair values of the Group's share of identifiable net assets	(19)

As at 31 December 2019, certain borrowings of associates were guaranteed by the Group (note 39) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB3,164 million (2018: RMB3,640 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10(c) Investments in associates *(Continued)*

The directors of the Company consider that none of the associates as at 31 December 2019 and 2018 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2019 RMB million	2018 RMB million
Carrying amount in the consolidated financial statements	**17,159**	18,768
Share of profits for the year	**2,327**	1,307
Share of total comprehensive income for the year	**2,327**	1,307

11 Financial assets at fair value through other comprehensive income

	2019 RMB million	2018 RMB million
At 1 January	**1,796**	1,517
Additions	**1,462**	158
Disposals	**(236)**	–
Fair value changes	**260**	121
At 31 December	**3,282**	1,796

Financial assets at FVOCI include the following:

	2019 RMB million	2018 RMB million
Listed equity securities	**595**	563
Unlisted equity investments	**2,687**	1,233
	3,282	1,796

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price or recent transaction prices of similar deals.

12 Completed properties held for sale

	2019 RMB million	2018 RMB million
Completed properties held for sale	**45,781**	44,338

The completed properties held for sale are mainly located in Mainland China.

13 Inventories

	2019 RMB million	2018 RMB million
Construction materials and other inventories	**11,781**	8,822

Inventories were mainly charged to properties under development upon utilisation.

14 Trade and other receivables

	2019 RMB million	2018 RMB million
Included in current assets		
— Trade receivables — net (note (a))	**39,863**	40,597
— Other receivables — net (note (b))	**296,884**	251,182
— Loans to third parties — net (note (c))	**14**	687
— Prepayments for land (note (d))	**49,597**	109,670
— Other prepayments (note (e))	**51,837**	24,261
	438,195	426,397
Included in non-current assets		
— Deposits for acquisitions of companies (note (f))	**14,056**	10,962
	452,251	437,359

As at 31 December 2019, the carrying value of other receivables approximated their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Trade and other receivables *(Continued)*

(a) Details of trade receivables are as follows:

	2019 RMB million	2018 RMB million
Trade receivables	**40,034**	40,724
Less: allowance for impairment	**(171)**	(127)
Trade receivables — net	**39,863**	40,597

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on property delivery date is as follows:

	2019 RMB million	2018 RMB million
Within 90 days	**35,156**	37,275
Over 90 days and within 180 days	**2,558**	1,593
Over 180 days and within 365 days	**1,665**	1,149
Over 365 days	**655**	707
	40,034	40,724

As at 31 December 2019 and 2018, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB171 million (2018: RMB127 million) was made against the gross amounts of trade receivables (note 4 (a)(iii)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of buyers. Trade receivables were collateralised by the titles of the properties sold.

14 Trade and other receivables *(Continued)*

(b) Details of other receivables are as follows:

	2019 RMB million	2018 RMB million
Amounts due from joint ventures, associates and other related parties	**114,474**	83,387
Land auction and other deposits	**14,357**	61,705
Others (i)	**171,436**	107,995
	300,267	253,087
Less: allowance for impairment	**(3,383)**	(1,905)
Other receivables — net	**296,884**	251,182

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are mainly interest-free, unsecured and repayable according to contract terms.

(c) As at 31 December 2019, loans to third parties bear interest at rates of 10% per annum (2018: 10%–16% per annum), of which RMB16 million (2018: RMB680 million) were secured by certain properties and land use rights of the third parties.

	2019 RMB million	2018 RMB million
Loans to third parties	**16**	696
Less: allowance for impairment	**(2)**	(9)
Loans to third parties — net	**14**	687

(d) Prepayments for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2019.

(e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

(f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

15 Contract assets and contract acquisition costs

Details of contract assets and contract acquisition costs are as follows:

	2019 RMB million	2018 RMB million
Contract assets related to sales of properties (note (i))	**10,422**	7,277
Contract assets related to construction services (note (i))	**4,500**	2,960
Contract acquisition costs (note (ii))	**9,098**	6,857
Total contract assets and contract acquisition costs	**24,020**	17,094

Notes:

(i) Contract assets consist of unbilled amount resulting from sale of properties and construction when revenue recognised exceeds the amount billed to the buyer.

(ii) Management expected the contract acquisition costs, represented primarily sale commission and stamp duty paid/payable for obtaining property sale contracts are recoverable. The Group has deferred them and will charge them to profit or loss when the related revenue is recognised. For the year ended 31 December 2019, the total amount charged to profit or loss was RMB3,717 million (2018: RMB2,168 million) and there was no impairment loss in relation to the remaining balance.

16 Restricted cash

The amount mainly represented guarantee deposits for construction of pre-sale properties denominated in RMB and Ringgit ("RM") placed in designated bank accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Unused guarantee deposits will be released after the completion of construction of the related properties.

17 Cash and cash equivalents

	2019 RMB million	2018 RMB million
Cash at banks and on hand	**265,798**	241,599
Short-term bank deposits	**2,550**	944
	268,348	242,543
Less: restricted cash (note 16)	**(19,363)**	(14,200)
	248,985	228,343

The short-term deposits are denominated in RMB and have terms ranging within 3 months. The effective interest rate of these deposits as at 31 December 2019 was 1.45% per annum (2018: 1.22% per annum).

Cash and deposits are denominated in the following currencies:

	2019 RMB million	2018 RMB million
Denominated in RMB	**259,193**	232,044
Denominated in HKD	**969**	902
Denominated in USD	**3,086**	3,575
Denominated in RM	**4,294**	4,518
Denominated in other currencies	**806**	1,504
	268,348	242,543

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Financial assets at fair value through profit or loss

	2019 RMB million	2018 RMB million
PRC listed equity security (note (a))	**195**	259
Wealth management products (note (b))	**7,738**	11,760
	7,933	12,019

(a) This represented a 2.29% (2018: 2.29%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd., which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2019 represented the quoted market price.

(b) Wealth management products are mainly investments in financial products issued by financial institutions. The fair values of these investments approximated their carrying values as at 31 December 2019.

19 Trade and other payables

	2019 RMB million	2018 RMB million
Trade payables (note (a))	**329,305**	255,053
Other payables (note (b))	**203,467**	192,934
Other taxes payable	**51,427**	41,034
Salaries payable	**10,349**	9,800
	594,548	498,821

As at 31 December 2019, the carrying amounts of trade and other payables approximated their fair values.

(a) The ageing analysis of trade payables based on the date of invoice is as follows:

	2019 RMB million	2018 RMB million
Within 90 days	**274,669**	211,512
Over 90 days and within 180 days	**43,438**	34,648
Over 180 days and within 365 days	**7,273**	5,698
Over 365 days	**3,925**	3,195
	329,305	255,053

19 Trade and other payables *(Continued)*

(b) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are mainly interest-free, unsecured and repayable according to contract terms.

20 Contract liabilities

	2019 **RMB million**	2018 RMB million
Contract liabilities	**646,996**	562,800

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(a) Revenue recognised in relation to contract liabilities

	2019 **RMB million**	2018 RMB million
Revenue recognised that was included in the contract liability balance at the beginning of the year	**337,873**	177,716

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21 Receipts under securitisation arrangements

The balance represented proceeds received from issue of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties, amounting to RMB279 million (2018: RMB794 million). These securities bear an effective interest rate of 4.8% (2018: 4.8%) per annum and have a revolving term of 3 to 6 months (2018: 3 to 6 months).

22 Derivative financial instruments

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	RMB million	**RMB million**	RMB million	RMB million
Qualified for hedge accounting				
— Foreign currency option contracts (note (a))	**321**	**19**	386	2
— Foreign exchange structured derivatives contracts (note (b))	**314**	**10**	201	198
— Foreign exchange forward contracts (note (c))	**423**	**41**	23	208
— Cross currency swaps (note (d))	**42**	**–**	–	–
Not qualified for hedge accounting				
— Foreign exchange forward contracts	**81**	**20**	31	152
— Foreign currency option contracts	**10**	**7**	–	62
— Cross currency swaps	**65**	**11**	–	–
Others				
— Embedded financial derivative of convertible bonds (note 25)	**–**	**2,756**	–	1,518
— Purchased call options (note (f))	**1,839**	**–**	601	–
	3,095	**2,864**	1,242	2,140
Analysed as:				
Current	**447**	**32**	250	111
Non-current	**2,648**	**2,832**	992	2,029
	3,095	**2,864**	1,242	2,140

The total notional principal amounts of the derivative financial instruments for hedging purpose at 31 December 2019 were RMB87,936 million (2018: RMB65,711 million), of which RMB70,286 million (2018: RMB49,445 million) were qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2020 to 2026 (2018: 2019 to 2022).

22 Derivative financial instruments *(Continued)*

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

(a) Derivative financial instruments — foreign currency option contracts

	2019	2018
Carrying amount (RMB million)	**302**	384
Notional amount (RMB million)	**23,218**	13,688
Maturity date	**8 January 2020 to 11 December 2026**	15 January 2019 to 14 January 2022
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**210**	560
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**(94)**	(549)
Strike rate (USD:RMB range)	**6.4800–7.0490**	6.4600–6.4900

(b) Derivative financial instruments — foreign exchange structured derivatives contracts (note (i))

	2019	2018
Carrying amount (RMB million)	**304**	3
Notional amount (RMB million)	**11,650**	14,481
Maturity date	**9 March 2020 to 25 July 2022**	9 July 2019 to 25 July 2022
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**117**	864
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**(173)**	(868)
Strike rate (USD:RMB range)	**6.4930–6.9370**	6.4930–6.9370

(i) Foreign exchange structured derivatives contracts are cross-currency swaps with options against exchange rate risk of interest and principal repayment.

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22 Derivative financial instruments *(Continued)*

(c) Derivative financial instruments — Foreign exchange forward contracts

	2019	2018
Carrying amount (RMB million)	**382**	(185)
Notional amount (RMB million)	**31,943**	21,276
Maturity date	**24 September 2020 to 12 April 2023**	24 September 2020 to 17 January 2022
Hedge ratio*	**1:1**	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**273**	74
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**(286)**	(38)
Strike rate (USD:RMB range)	**6.6000–7.0960**	6.5900–6.9950
Strike rate (HKD:RMB range)	**0.9010**	–

(d) Derivative financial instruments — Cross currency swaps

	2019	2018
Carrying amount (RMB million)	**42**	–
Notional amount (RMB million)	**3,475**	–
Maturity date	**7 December 2020 to 19 October 2021**	–
Hedge ratio*	**1:1**	–
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	**168**	–
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	**(149)**	–
Strike rate (HKD:RMB range)	**0.8600–0.8790**	–

* The foreign currency option contracts, foreign exchange structured derivatives contracts, foreign exchange forward contracts and cross currency swap are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

22 Derivative financial instruments *(Continued)*

(e) Reserves

	2019 RMB million	2018 RMB million
Cash flow hedge reserve		
At 1 January	**21**	(14)
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	**768**	1,552
Reclassified to profit or loss (note 34)	**(804)**	(1,517)
At 31 December	**(15)**	21

	2019 RMB million	2018 RMB million
Deferred costs of hedging reserve — deferred time value		
At 1 January	**(644)**	455
Gains/(losses) of hedging deferred for the year	**60**	(1,143)
Reclassified to profit or loss (note 34)	**427**	44
At 31 December	**(157)**	(644)

(f) In November 2018, the Group entered into call option transactions involving i) the sale of call options by certain third parties to the Group with a strike price equal to the conversion price of the 2023 Convertible Bonds at a total premium of approximately HKD2,793 million (the" Purchased Call Options"); and ii) the sale of call options by the Group to certain third parties with a strike price of HKD17.908 (subsequent adjusted to HKD16.94) at a total premium of approximately HKD1,528 million (the "Written Call Options"). The Purchased Call Options and the Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Group is required to make in excess of the principal amount of the 2023 Convertible Bonds being converted, as the case may be. The Purchased Call Options and the Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of ordinary shares of the Company underlying the 2023 Convertible Bonds. The premium paid for the Purchased Call Options and the premium received and receivable for the Written Call Options are accounted for as derivative financial assets and other reserve within equity (note 29) respectively in the consolidated statement of financial position.

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23 Senior notes

	2019 **RMB million**	2018 RMB million
At 1 January	**41,716**	31,913
Additions (note (a))	**23,081**	16,324
Early redemption	**–**	(4,757)
Repayment on maturity (note (a))	**(1,723)**	(3,464)
Interest expenses (note 34)	**3,909**	2,646
Coupon interest paid	**(3,361)**	(2,130)
Currency translation differences	**1,271**	1,184
At 31 December	**64,893**	41,716
Less : current portion included in current liabilities	**(7,343)**	(2,238)
Included in non-current liabilities	**57,550**	39,478

Senior notes were repayable as follows:

	2019 **RMB million**	2018 RMB million
Within 1 year	**7,343**	2,238
Between 1 and 2 years	**6,072**	6,156
Between 2 and 5 years	**31,009**	22,206
Over 5 years	**20,469**	11,116
	64,893	41,716

23 Senior notes *(Continued)*

(a) The Group has issued the following senior notes:

Name of notes	Par value Million	Interest rate	Issue date	Term of the notes
Carried forward from prior years and remained outstanding at 31 December 2019:				
2021 Notes	USD750	7.250%	4 October 2013	7.5 years
2020 Notes	USD900	7.500%	9 March 2015	5 years
2023 Notes II	USD650	4.750%	28 September 2016	7 years
2026 Notes	USD350	5.625%	15 December 2016	10 years
2022 Notes	USD700	4.750%	25 July 2017	5 years
2023 Notes III — tranche I	USD250	4.750%	17 January 2018	5 years
2023 Notes III — tranche II *	USD375	4.750%	31 July 2018	4.5 years
2025 Notes — tranche I	USD600	5.125%	17 January 2018	7 years
2025 Notes — tranche II **	USD150	5.125%	14 September 2018	6.4 years
2021 Notes II	RMB950	5.800%	12 March 2018	3 years
2022 Notes II	USD425	7.125%	27 September 2018	3.5 years
2024 Notes — tranche I	USD550	8.000%	27 September 2018	5.5 years
Issued during the year:				
2022 Notes III	USD550	7.125%	25 January 2019	3 years
2024 Notes — tranche II ***	USD450	8.000%	25 January 2019	5 years
2024 Notes II	USD550	6.500%	8 April 2019	5 years
2026 Notes II — tranche I	USD950	7.250%	8 April 2019	7 years
2026 Notes II — tranche II ****	USD400	7.250%	18 July 2019	6.7 years
2025 Notes II	USD500	6.150%	17 September 2019	6 years
Repaid during the year on maturity:				
2019 Notes II	USD250	7.500%	5 June 2014	5 years

* 2023 Notes III — tranche II was consolidated and form a single series with the 2023 Notes III — tranche I.

** 2025 Notes — tranche II was consolidated and form a single series with the 2025 Notes — tranche I.

*** 2024 Notes — tranche II was consolidated and form a single series with the 2024 Notes — tranche I.

**** 2026 Notes II — tranche II was consolidated and form a single series with the 2026 Notes II — tranche I.

(i) The weighted average effective interest rate of the senior notes is 7.45% (2018: 7.25%).

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23 Senior notes *(Continued)*

(b) As at 31 December 2019, all senior notes are listed on the Singapore Exchange Securities Trading Limited, and contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2019 and 2018.

The holders of the 2026 Notes have a put option to request the Company to repurchase the 2026 Notes on 15 December 2021 at the price equal to 100% of the principle amounts of the 2026 Notes. The directors of the Company consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2019 and 2018.

The fair values of the senior notes at 31 December 2019 were approximately RMB67,759 million (2018: RMB40,105 million). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position as they are listed on Singapore Exchange Securities Trading Limited and the fair value measurement is categorised within level 1 of the fair value hierarchy.

(c) The Group's senior notes are guaranteed by certain subsidiaries of the Group and are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2019, none of these covenants had been breached.

24 Corporate bonds

	2019 RMB million	2018 RMB million
At 1 January	**41,908**	47,334
Acquisitions of subsidiaries	**–**	3,475
Additions (note (a))	**11,743**	5,732
Repayment upon maturity	**(7,650)**	(14,534)
Interest expenses (note 34)	**2,928**	2,389
Coupon interest paid	**(2,566)**	(2,492)
Currency translation differences	**37**	4
At 31 December	**46,400**	41,908
Less : current portion included in current liabilities	**(28,850)**	(23,964)
Included in non-current liabilities	**17,550**	17,944

The Group's corporate bonds are repayable as follows:

	2019 RMB million	2018 RMB million
Within 1 year	**28,850**	23,964
Between 1 and 2 years	**11,884**	9,805
Between 2 and 5 years	**5,666**	8,139
	46,400	41,908

24 Corporate bonds *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2019:

Name of bond	**Par value** RMB million	**Interest rate**	**Issue date**	**Term of the bond**
RMB Corporate bonds of the Company issued in 2015	1,000	6.30%	29 December 2015	5 years
RMB Corporate bonds tranche I of the Company issued in 2016 (note (c))	3,900	6.30%	2 March 2016	5 years
RMB Corporate bonds tranche II of the Company issued in 2016	200	4.55%	29 March 2016	4 years
RMB Corporate bonds tranche III of the Company issued in 2016	510	5.60%	2 August 2016	5 years
RMB Corporate bonds tranche IV of the Company issued in 2016 — series I	3,110	6.80%	2 September 2016	4 years
RMB Corporate bonds tranche IV of the Company issued in 2016 — series II (note (c))	5,830	5.65%	2 September 2016	7 years
RMB Corporate bonds of Giant Leap issued in 2016 — series I (note (b))	801	6.80%	21 October 2016	4 years
RMB Corporate bonds of Giant Leap issued in 2016 — series II (notes (b) and (c))	2,000	3.90%	21 October 2016	7 years
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche I (note (b))	1,500	6.00%	28 August 2017	3 years
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche II (note (b))	1,500	5.90%	20 October 2017	3 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I (notes (b) and (c))	3,800	6.80%	24 October 2017	4 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II (notes (b) and (c))	1,200	6.70%	10 November 2017	4 years
RMB Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	3,000	6.40%	26 October 2018	3 years

24 **Corporate bonds** *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2019: *(Continued)*

Name of bond	**Par value** RMB million	**Interest rate**	**Issue date**	**Term of the bond**
RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	2,100	6.40%	19 December 2018	3 years
RMB Private Corporate bonds of Giant Leap issued in 2019 — tranche I (notes (b) and (c))	2,900	5.93%	26 April 2019	2 years
RMB Private Corporate bonds I of Country Garden Property Co., Ltd. ("Country Garden Property") issued in 2017 — tranche I	2,000	6.50%	10 October 2017	3 years
RMB Private Corporate bonds I of Country Garden Property issued in 2017 — tranche II	700	6.00%	23 November 2017	3 years
RMB Private Corporate bonds of Country Garden Property issued in 2018 — tranche I (note (c))	328	6.60%	16 November 2018	3 years
RMB Private House Leasing bonds of Country Garden Property issued in 2019 — tranche I (note (c))	567	5.95%	1 April 2019	4 years
RMB Corporate bonds of Country Garden Property issued in 2019 — tranche I (note (c))	590	5.03%	2 April 2019	5 years
RMB Corporate bonds of Country Garden Property issued in 2019 — tranche II (note (c))	2,210	5.14%	1 August 2019	4 years
RMB Private bonds of Country Garden Property issued in 2019 — tranche I (note (c))	1,850	6.80%	26 September 2019	4 years
RMB Corporate bonds of Country Garden Property issued in 2019 — tranche III (note (c))	3,000	4.98%	20 November 2019	4 years
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2018 (note (b))	325	6.60%	23 February 2018	5 years
RM Privte Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2019 — tranche III (note (b))	213	6.40%	18 March 2019	3 years

24 Corporate bonds *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2019: *(Continued)*

Name of bond	**Par value** RMB million	**Interest rate**	**Issue date**	**Term of the bond**
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2019 — tranche IV (note (b))	116	6.40%	8 May 2019	3 years
THB Private Corporate bonds of Risland (Thailand) Company Limited issued in 2019 (note (b))	334	4.75%	24 July 2019	3 years

The weighted average effective interest rate of the corporate bonds is 6.09% (2018: 5.71%).

(b) The corporate bonds issued by Giant Leap, Country Garden Real Estate Sdn. Bhd. and Risland (Thailand) Company Limited were guaranteed by certain subsidiaries of the Group.

(c) RMB Corporate bonds tranche I of the Company issued in 2016, RMB Corporate bonds tranche IV of the Company issued in 2016 — series II, RMB corporate bonds of Giant Leap issued in 2016 — series II, RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I, RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II, RMB corporate bonds of Giant Leap issued in 2018 and 2019, and RMB corporate bonds issued in 2018 and 2019 by Country Garden Property contain a debt component, put options and coupon rate adjustment options.

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors of the Company consider that the fair values of the above put options and coupon rate adjustment options were insignificant on initial recognition and at 31 December 2019 and 2018.

(d) Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liabilities of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2019 were RMB47,818 million (2018: RMB43,894 million). Except for RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I and RMB Private Corporate bonds of Giant Leap issued in 2019 — tranche I, the fair value measurement of all RMB Public corporate bonds issued by Giant Leap and RMB Corporate bonds of Country Garden Property issued in 2019 are categorised within level 1 of the fair value hierarchy as they are listed on the Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

25 Convertible bonds

On 16 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600 million (equivalent to approximately RMB12,634 million) due 27 January 2019 (the "2019 Convertible Bonds"), with an initial conversion price of HKD20.556 per share. The conversion price was subsequently modified to HKD18.29 per share as a result of payment of dividend and distribution in specie. On 30 January 2018, the 2019 Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company. The Group partially repurchased the 2019 Convertible Bonds in the aggregate amount of HKD6,450 million during 2018. The gain on the early redemption was approximately RMB65 million and the redemption price allocated to equity component was approximately RMB100 million. The Group has redeemed all of the outstanding 2019 Convertible Bonds upon maturity.

On 21 November 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD7,830 million (equivalent to approximately RMB6,868 million) due 5 December 2023 (the "2023 Convertible Bonds"), with an initial conversion price of HKD12.584 per share. On 5 December 2018, the 2023 Convertible Bonds were issued. The conversion price was subsequently modified to HKD11.90 per share as a result of payment of dividend in 2019. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company. As at 31 December 2019, the fair value of the embedded financial derivative of convertible bond was RMB2,756 million (2018: RMB1,518 million) (note 22).

Movement of the 2019 Convertible Bonds and the 2023 Convertible Bonds is set out as follows:

	2019 **RMB million**	2018 RMB million
Liability component as at 1 January	**13,168**	–
Additions	**–**	17,247
Redemption	**(7,869)**	(5,651)
Interest expenses (note 34)	**628**	596
Coupon interest paid	**(373)**	–
Currency translation differences	**(37)**	976
Liability component as at 31 December	**5,517**	13,168
Less: current portion included in current liabilities	**(22)**	(8,051)
Included in non-current liabilities	**5,495**	5,117

Interest expenses are calculated by applying the effective interest rate of 11.84% per annum to the liability component (2018: 4.97% per annum).

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25 Convertible bonds *(Continued)*

(a) The 2023 Convertible Bonds are guaranteed by the Company and certain subsidiaries of the Group and secured by the equity interests in certain subsidiaries of the Group.

(b) As at 31 December 2019, there has been no conversion of the 2023 Convertible Bonds.

26 Bank and other borrowings

	2019 RMB million	2018 RMB million
Non-current liabilities:		
— secured	**133,637**	108,300
— unsecured	**95,879**	89,779
Less: current portion of non-current liabilities	**(56,780)**	(58,240)
	172,736	139,839
Included in current liabilities:		
— secured	**11,237**	10,775
— unsecured	**12,040**	22,829
Current portion of non-current liabilities	**56,780**	58,240
	80,057	91,844
Total bank and other borrowings	**252,793**	231,683

The Group's borrowings as at 31 December 2019 of RMB144,874 million (2018: RMB119,075 million) were secured by right-of-use assets, certain properties and equipment of the Group (notes 3, 7, 8 and 9) with total carrying values of RMB91,728 million (2018: RMB80,098 million) and/or secured by the equity interests of certain group companies.

26 Bank and other borrowings *(continued)*

At 31 December 2019, the Group's bank and other borrowings were repayable as follows:

	2019 **RMB million**	2018 RMB million
Within 1 year	**80,057**	91,844
Between 1 and 2 years	**121,590**	72,900
Between 2 and 5 years	**48,499**	60,163
Over 5 years	**2,647**	6,776
	252,793	231,683

The weighted average effective interest rate for the year ended 31 December 2019 was 6.63% per annum (2018: 6.52% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2019 **RMB million**	2018 RMB million
RMB	**201,638**	190,139
HKD	**15,803**	10,121
USD	**26,747**	23,114
RM	**2,625**	2,539
Other	**5,980**	5,770
	252,793	231,683

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2019, none of these covenants had been breached.

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27 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total	Treasury shares	Group total
	million	HKD million	RMB million	RMB million	RMB million	RMB million	RMB million
Authorised							
At 1 January 2018, 31 December 2018 and 2019, HKD0.10 per share	100,000	10,000					
Issued and fully paid							
At 1 January 2018	21,280	2,128	2,003	22,838	24,841	(380)	24,461
Issue of shares	465	46	37	6,348	6,385	–	6,385
– Issue of shares as a result of placing	460	46	37	6,293	6,330	–	6,330
– Issue of shares as a result of scrip dividend	1	–	–	9	9	–	9
– Issue of shares pursuant to share option scheme	4	–	–	46	46	–	46
Buy-back of shares	–	–	–	–	–	(2,965)	(2,965)
Cancellation of shares	(99)	(10)	(8)	(985)	(993)	993	–
At 31 December 2018	21,646	2,164	2,032	28,201	30,233	(2,352)	27,881
Issued and fully paid							
At 1 January 2019	**21,646**	**2,164**	**2,032**	**28,201**	**30,233**	**(2,352)**	**27,881**
Issue of shares	**235**	**24**	**21**	**2,171**	**2,192**	**–**	**2,192**
– Issue of shares as a result of scrip dividend (note 36)	**221**	**22**	**20**	**2,028**	**2,048**	**–**	**2,048**
– Issue of shares pursuant to share option scheme	**14**	**2**	**1**	**143**	**144**	**–**	**144**
Buy-back of shares (note (a))	**–**	**–**	**–**	**–**	**–**	**(322)**	**(322)**
Cancellation of shares	**(36)**	**(4)**	**(3)**	**(319)**	**(322)**	**322**	**–**
At 31 December 2019	**21,845**	**2,184**	**2,050**	**30,053**	**32,103**	**(2,352)**	**29,751**

27 Share capital and premium *(continued)*

(a) Buy-back of shares

The Group bought back a total of 36 million (2018: 284 million) of the Company's shares during 2019. The total consideration paid to buy back these shares was RMB322 million (2018: RMB2,965 million), which has been deducted from equity attributable to the owners of the Company. As at 31 December 2019, the treasury shares of the Group amounted to a total of 293 million.

28 Employee share schemes

The share-based compensation expenses recognised during the year are as follows:

	2019 RMB million	2018 RMB million
Share option scheme	**104**	38
Share award scheme	**232**	316
	336	354

(a) Share option scheme

Since 13 December 2013, the Group granted certain share options to certain directors of the Company and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group. Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme to certain senior management and employees is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the share options is generally 5 years from their respective grant dates. The fair value of the share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

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28 Employee share schemes *(continued)*

(a) Share option scheme *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019 Weighted-average exercise price (HKD per share)	Number of options	2018 Weighted-average exercise price (HKD per share)	Number of options
At 1 January	**9.502**	**23,193,300**	5.299	18,595,503
Granted	**11.565**	**25,024,778**	16.059	8,546,799
Exercised	**10.982**	**(14,470,236)**	3.904	(3,949,002)
Cancelled	**16.720**	**(6,517,965)**	–	–
At 31 December	**8.884**	**27,229,877**	9.502	23,193,300

Particulars of share options outstanding as at 31 December 2019 are as follows:

Date of grant	Expiry date	Exercise price in HKD per share	Number of share options granted	Number of share options lapsed	Number of share options exercised	Number of share options cancelled	Number of share options outstanding
30 November 2012	29 November 2022	3.646	3,044,358	–	3,044,358	–	–
13 December 2013	12 December 2023	4.773	6,264,738	544,070	3,018,853	–	2,701,815
16 March 2016	15 March 2026	3.332	2,431,903	–	–	–	2,431,903
11 May 2016	10 May 2026	3.106	1,599,861	–	–	–	1,599,861
19 August 2016	18 August 2026	3.740	1,265,081	–	–	–	1,265,081
22 May 2017	21 May 2027	8.250	2,895,406	–	–	–	2,895,406
24 August 2017	23 August 2027	10.100	978,409	–	–	–	978,409
8 December 2017	7 December 2027	12.980	659,817	–	–	–	659,817
21 March 2018	20 March 2028	16.460	948,535	–	–	–	948,535
10 May 2018	9 May 2028	16.280	258,092	–	–	–	258,092
18 May 2018	17 May 2028	16.720	6,517,965	–	–	6,517,965	–
22 August 2018	21 August 2028	12.240	202,300	–	–	–	202,300
6 December 2018	5 December 2028	9.654	619,907	–	–	–	619,907
25 March 2019	24 March 2029	12.044	12,770,908	–	12,356,027	–	414,881
9 May 2019	8 May 2029	12.408	750,160	–	–	–	750,160
23 August 2019	22 August 2029	9.834	1,039,436	–	–	–	1,039,436
5 December 2019	4 December 2029	11.092	10,464,274	–	–	–	10,464,274
							27,229,877

28 Employee share schemes *(continued)*

(a) Share option scheme *(continued)*

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2019, the Expected Retention Rate was assessed to be 100% (2018: 100%).

(b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares (the "Awarded Shares"). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Company, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of Awarded Shares are as follows:

	2019	2018
At 1 January	**124,083,683**	85,968,288
Granted	**41,742,919**	40,607,223
Lapsed	**(13,392,891)**	(2,491,828)
At 31 December	**152,433,711**	124,083,683

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2019, the Expected Retention Rate was assessed to be 100% (2018: 100%).

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29 Other reserves and retained earnings

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2019	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449
Profit for the year	–	–	–	–	–	–	–	–	–	–	39,550	39,550
Transfer to statutory reserve (note (b))	–	3,863	–	–	–	–	–	–	–	3,863	(3,863)	–
Issue of shares as a result of scrip dividend (note 36)	–	–	–	–	–	–	–	–	–	–	(2,048)	(2,048)
Cash dividends	–	–	–	–	–	–	–	–	–	–	(9,468)	(9,468)
Revaluation gains on properties upon transfer from right-of-use assets	–	–	–	–	–	91	–	–	–	91	–	91
Employee share scheme	–	–	–	–	–	–	–	–	–	–	–	–
– Value of employee services (note 28)	–	–	336	–	–	–	–	–	–	336	–	336
– Issue of shares pursuant to share option scheme	–	–	(9)	–	–	–	–	–	–	(9)	–	(9)
Change in fair value of financial assets at FVOCI	–	–	–	195	–	–	–	–	–	195	–	195
Disposal of financial assets at FVOCI	–	–	–	(33)	–	–	–	–	–	(33)	33	–
Effect of redemption of convertible bonds upon maturity	–	–	–	–	–	–	–	–	(220)	(220)	220	–
Changes in ownership interests in subsidiaries without change of control (note 41)	–	–	–	–	–	–	–	–	179	179	–	179
Currency translation differences	–	–	–	–	(538)	–	–	–	–	(538)	–	(538)
Disposal of subsidiaries	–	(90)	–	–	–	–	–	–	–	(90)	90	–
Deferred losses on cash flow hedges	–	–	–	–	–	–	(36)	–	–	(36)	–	(36)
Deferred gains of hedging	–	–	–	–	–	–	–	487	–	487	–	487
Balance at 31 December 2019	(150)	11,030	1,044	272	(1,101)	960	(15)	(157)	589	12,472	109,716	122,188

29 Other reserves and retained earnings *(continued)*

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2018	(150)	5,342	396	3	(521)	869	(14)	455	(437)	5,943	63,267	69,210
Profit for the year	–	–	–	–	–	–	–	–	–	–	34,618	34,618
Transfer to statutory reserve	–	2,022	–	–	–	–	–	–	–	2,022	(2,022)	–
2017 final and 2018 interim dividends	–	–	–	–	–	–	–	–	–	–	(9,441)	(9,441)
Distribution in specie	–	(107)	–	–	–	–	–	–	(383)	(490)	(1,275)	(1,765)
Employee share scheme												
– Value of employee services	–	–	354	–	–	–	–	–	–	354	–	354
– Issue of shares pursuant to share option scheme	–	–	(33)	–	–	–	–	–	–	(33)	–	(33)
Change in fair value of financial assets at FVOCI	–	–	–	107	–	–	–	–	–	107	–	107
Equity component of convertible bonds	–	–	–	–	–	–	–	–	375	375	–	375
Early redemption of convertible bonds	–	–	–	–	–	–	–	–	(155)	(155)	55	(100)
Issue of written call options (note 22(f))	–	–	–	–	–	–	–	–	1,357	1,357	–	1,357
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	–	–	(127)	(127)	–	(127)
Currency translation differences	–	–	–	–	(42)	–	–	–	–	(42)	–	(42)
Deferred gains on cash flow hedges	–	–	–	–	–	–	35	–	–	35	–	35
Deferred costs of hedging	–	–	–	–	–	–	–	(1,099)	–	(1,099)	–	(1,099)
Balance at 31 December 2018	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449

Notes:

(a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2007 over the nominal value of shares of the Company issued in exchange thereof.

(b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in Mainland China and the articles of association of certain subsidiaries in Mainland China of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	2019 RMB million	2018 RMB million
Deferred income tax assets	**27,031**	18,701
Deferred income tax liabilities	**(32,763)**	(32,224)
	(5,732)	(13,523)

The movement on the net deferred income tax account is as follows:

	2019 RMB million	2018 RMB million
At 1 January	**(13,523)**	(4,250)
Acquisitions of subsidiaries (note 43)	**(7,281)**	(12,191)
Disposals of subsidiaries	**5,114**	–
Charged to other comprehensive income	**(102)**	(14)
Credited to profit or loss (note 35)	**10,060**	2,932
At 31 December	**(5,732)**	(13,523)

30 Deferred income tax *(continued)*

Movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB million	Business combinations RMB million	Recognition of expenses RMB million	Elimination of unrealised profits RMB million	Tax losses RMB million	Prepaid income tax RMB million	Total RMB million
At 1 January 2018	262	116	318	890	7,436	3,176	12,198
Acquisitions of subsidiaries	–	511	–	–	–	–	511
Credited/(charged) to profit or loss	364	–	375	(119)	4,348	1,024	5,992
At 31 December 2018	626	627	693	771	11,784	4,200	18,701
At 1 January 2019	**626**	**627**	**693**	**771**	**11,784**	**4,200**	**18,701**
Acquisitions of subsidiaries (note 43)	**–**	**9**	**–**	**–**	**–**	**–**	**9**
Disposals of subsidiaries	**–**	**(494)**	**(5)**	**–**	**(176)**	**(374)**	**(1,049)**
Credited to profit or loss	**703**	**–**	**103**	**559**	**5,485**	**2,520**	**9,370**
At 31 December 2019	**1,329**	**142**	**791**	**1,330**	**17,093**	**6,346**	**27,031**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2019 of RMB39 million (2018: RMB39 million) in respect of accumulated tax losses amounting to RMB155 million as at 31 December 2019 (2018: RMB154 million).

30 Deferred income tax *(continued)*

Deferred income tax liabilities:

	Business combination RMB million	Recognition of revenue over time RMB million	Withholding income tax on profit to be distributed in future RMB million	Fair value changes on investment properties RMB million	Others RMB million	Total RMB million
At 1 January 2018	(6,094)	(8,389)	(941)	(820)	(204)	(16,448)
Acquisitions of subsidiaries	(12,702)	–	–	–	–	(12,702)
Credited to other comprehensive income	–	–	–	–	(14)	(14)
Credited/(charged) to profit or loss	2,747	(4,435)	(578)	(433)	(361)	(3,060)
At 31 December 2018	(16,049)	(12,824)	(1,519)	(1,253)	(579)	(32,224)
At 1 January 2019	**(16,049)**	**(12,824)**	**(1,519)**	**(1,253)**	**(579)**	**(32,224)**
Acquisitions of subsidiaries (note 43)	**(7,290)**	**–**	**–**	**–**	**–**	**(7,290)**
Disposals of subsidiaries	**6,014**	**121**	**–**	**28**	**–**	**6,163**
Charged to other comprehensive income	**–**	**–**	**–**	**(30)**	**(72)**	**(102)**
Credited/(charged) to profit or loss	**2,711**	**(1,613)**	**(569)**	**(60)**	**221**	**690**
At 31 December 2019	**(14,614)**	**(14,316)**	**(2,088)**	**(1,315)**	**(430)**	**(32,763)**

As at 31 December 2019, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB108,789 million (2018: RMB81,679 million). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

31 Other income and gains — net

	2019 RMB million	2018 RMB million
Other income		
— Management and consulting service income	**733**	1,395
— Forfeiture of deposits received from property buyers	**127**	54
— Government subsidy income	**326**	303
	1,186	1,752
Other gains		
— Gains arising from negative goodwill (note 43)	**655**	1,102
— Changes in fair value of derivative financial instruments	**308**	22
— Gains on disposals of subsidiaries (note 42)	**967**	455
— Gains on disposals of joint ventures and associates	**48**	337
— Gains on disposals of property, plant and equipment (note 37(b))	**72**	28
— Others	**52**	648
	2,102	2,592
Total other income and gains — net	**3,288**	4,344

32 Expenses by nature

	2019 RMB million	2018 RMB million
Costs of properties sold	**355,223**	272,608
Other taxes and levies	**4,131**	2,788
Sales commission to agents	**3,112**	2,168
Advertising and promotion costs	**4,993**	3,604
Employee benefit expenses (note 33)	**19,056**	17,580
Property management and other services expenses	**1,270**	510
Donations	**1,431**	1,369
Depreciation of property, plant and equipment (note 7)	**1,099**	909
Rental expenses	**209**	636
Amortisation of intangible assets	**117**	72
Depreciation of right-of-use assets (note 3)	**332**	–
Amortisation of land use rights	**–**	63
Auditor's remuneration	**36**	31
— Audit services	**21**	20
— Non-audit services	**15**	11
Others	**4,138**	4,623
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	**395,147**	306,961

32 Expenses by nature *(continued)*

Notes:

(a) The subsidiaries in Mainland China of the Group are subject to value added tax ("VAT") on their revenues. The applicable tax rates are as follows:

Category	**Rate of VAT**	
	From 1 April 2019 to 31 December 2019	**From 1 January 2019 to 31 March 2019**
Sales of properties (i)	5%, 9%	5%,10%
Property construction (i)	3%, 9%	3%,10%
Property investment (i)	5%, 9%	5%,10%
Property management (ii)	3%, 6%	3%, 6%
Hotel service (ii)	3%, 6%	3%, 6%

(i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. VAT for small-scale VAT payer of property construction is 3%. According to the relevant regulations about Adjustment of the Value-Added Tax Rate issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2019] No. 39), VAT for income from sales of properties, property investment and property construction adjusted from 10% to 9% since 1 April 2019.

(ii) The rates of VAT for general VAT payers and small-scale VAT payers of property management and hotel service are 6% and 3%, respectively.

33 Employee benefit expenses

	2019 RMB million	2018 RMB million
Wages and salaries	**27,567**	25,412
Contributions to pension plans (note (a))	**191**	177
Staff welfare	**437**	404
Medical benefits	**383**	353
Share-based compensation expenses (note 28)	**336**	354
Other allowances and benefits	**109**	101
	29,023	26,801
Less: capitalised in properties under development	**(9,967)**	(9,221)
	19,056	17,580

33 Employee benefit expenses *(Continued)*

Notes:

(a) Contributions to pension plans

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2018: two) directors of the Company whose emoluments are reflected in the analysis shown in note 47. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019 RMB million	2018 RMB million
Salaries	**10**	8
Discretionary bonuses	**163**	110
Other benefits and share-based compensation expenses	**58**	72
	231	190

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HKD58,500,001 to HKD59,000,000	**–**	1
HKD62,000,001 to HKD62,500,000	**–**	1
HKD73,000,001 to HKD73,500,000	**1**	–
HKD80,000,001 to HKD80,500,000	**1**	–
HKD103,500,001 to HKD104,000,000	**1**	–
HKD104,000,001 to HKD104,500,000	**–**	1

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34 Finance income — net

	2019 RMB million	2018 RMB million
Finance income:		
— Interest income on short-term deposits and others	**2,371**	2,445
Finance costs:		
— Interest expenses:		
— Bank and other borrowings	**(16,935)**	(13,415)
— Senior notes (note 23)	**(3,909)**	(2,646)
— Corporate bonds (note 24)	**(2,928)**	(2,389)
— Convertible bonds (note 25)	**(628)**	(596)
— Lease liabilities (note 3)	**(63)**	–
— Receipts under securitisation arrangements	**(26)**	(83)
	(24,489)	(19,129)
Less: amounts capitalised on qualifying assets	**24,489**	19,129
	–	–
— Net foreign exchange losses:		
— Net foreign exchange losses on financing activities before hedging	**(1,577)**	(2,450)
— Reclassified from cash flow hedge reserves (note 22 (e))	**804**	1,517
— Reclassified from deferred costs of hedging reserves (note 22 (e))	**(427)**	(44)
	(1,200)	(977)
— Net losses on early redemption	**–**	(120)
	(1,200)	(1,097)
Finance income — net	**1,171**	1,348

35 Income tax expenses

	2019 RMB million	2018 RMB million
Current income tax		
— Corporate income tax	**31,373**	20,031
— Land appreciation tax (note (c))	**16,424**	13,922
	47,797	33,953
Deferred income tax (note 30)		
— Corporate income tax	**(10,629)**	(3,351)
— Land appreciation tax (note (c))	**–**	(159)
— Withholding income tax (note (d))	**569**	578
	(10,060)	(2,932)
	37,737	31,021

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2019 RMB million	2018 RMB million
Profit before income tax	**98,939**	79,563
Tax calculated at Mainland China corporate income tax rate of 25% (2018: 25%)	**24,735**	19,891
Different tax rates applicable to different subsidiaries of the Group	**40**	18
Land appreciation tax deductible for calculation of income tax purpose	**(4,106)**	(3,441)
Utilisation of tax losses not previously recognised as deferred income tax assets	**–**	(25)
Effects of share of post-tax results of joint ventures and associates	**(1,277)**	(299)
Income not subject to tax	**(185)**	(556)
Expenses not deductible for tax purpose	**1,537**	1,092
	20,744	16,680
Withholding income tax on profit to be distributed in future (note (d))	**569**	578
Land appreciation tax (note (c))	**16,424**	13,763
Income tax expenses	**37,737**	31,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Income tax expenses *(continued)*

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2018:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.

(b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.

(c) Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land and all property development expenditures.

(d) Withholding income tax is provided on the dividends to be distributed by the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

36 Dividends

	2019 **RMB million**	2018 RMB million
Proposed final dividend of RMB34.25 cents (2018: RMB30.32 cents) per share	**7,485**	6,563
Interim dividend of RMB22.87 cents (2018: RMB18.52 cents) per share	**4,953**	4,017
	12,438	10,580

The final dividend in respect of 2018 of RMB30.32 cents (equivalent to HKD34.49 cents) per share, totalling RMB6,563 million, has been approved in the Annual General Meeting on 16 May 2019 and paid in cash in July 2019.

On 22 August 2019, the Board of Directors of the Company declared the payment of a 2019 interim dividend of RMB22.87 cents per share (2018 interim dividend: RMB18.52 cents per share) with the shareholders being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. This interim dividend was paid partly in cash and partly in new shares in November 2019. The number of ordinary shares settled and issued as scrip dividends was 220,664,329 and the total amount of dividend paid as scrip dividends was RMB2,048 million while cash dividend amounted to RMB2,905 million.

The Board of Directors recommended the payment of a 2019 final dividend of RMB34.25 cents per share, totalling RMB7,485 million with the eligible shareholders being given an option to elect to receive the final dividend all in new shares, or partly in new shares and partly in cash, or all in cash. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

37 Cash flow information

(a) Cash generated from operations

	Note	2019 RMB million	2018 RMB million
Profit for the year		**61,202**	48,542
Adjustments for:			
Income tax expenses	35	**37,737**	31,021
Interest income on short-term deposits and others	34	**(2,371)**	(2,445)
Net loss on early redemption of senior notes and convertible bonds	34	**–**	120
Net foreign exchange losses	34	**1,200**	977
Depreciation of property, plant and equipment	32	**1,099**	909
Amortisation of land use right	32	**–**	63
Depreciation of right-of-use assets	3, 32	**332**	–
Amortisation of intangible assets	32	**117**	72
Gains on disposals of property, plant and equipment	31	**(72)**	(28)
Net impairment losses on financial and contract assets		**1,515**	1,176
Share of results of joint ventures and associates	10	**(5,108)**	(1,197)
Gains arising from changes in fair value of and transfer to investment properties	8	**(126)**	(1,732)
Share-based compensation expense	33	**336**	354
Gains arising from negative goodwill	43	**(655)**	(1,102)
Changes in fair value of financial assets at FVTPL		**64**	49
Changes in fair value of derivative financial instruments	31	**(308)**	(22)
Gains on disposals of subsidiaries	31	**(967)**	(455)
		93,995	76,302
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries and currency exchange differences on consolidation):			
Properties under development and completed properties held for sale		**(97,125)**	(177,629)
Inventories		**(2,959)**	(4,578)
Restricted cash		**(3,455)**	(1,761)
Trade and other receivables and contract assets and contract acquisition costs		**5,749**	(96,776)
Trade and other payables and contract liabilities		**82,831**	287,589
Cash generated from operations		**79,036**	83,147

37 **Cash flow information** *(Continued)*

(b) **In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:**

	2019 RMB million	2018 RMB million
Property, plant and equipment		
Net book amount disposed of (note 7)	**378**	124
Gains on disposals (note 31)	**72**	28
Proceeds from disposals	**450**	152

(c) **Reconciliation of liabilities arising from financing activities**

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Lease liabilities RMB million	Total RMB million
Net debt as at 31 December 2018	231,683	41,716	41,908	13,168	794	898	–	330,167
Recognised on adoption of HKFRS 16 (note 3)	–	–	–	–	–	–	244	244
	231,683	41,716	41,908	13,168	794	898	244	330,411
Cash flows								
– Net cash flows from financing activities	18,519	21,358	4,093	(7,869)	(551)	(213)	(252)	35,085
– Interest paid	(16,935)	(3,361)	(2,566)	(373)	(31)	–	(63)	(23,329)
– Acquisitions of subsidiaries	21,781	–	–	–	–	–	–	21,781
– Disposals of subsidiaries	(19,542)	–	–	–	–	–	–	(19,542)
Non-cash movements								
– Changes in fair value of derivative financial instruments	–	–	–	–	–	(308)	–	(308)
– Interest expenses	16,935	3,909	2,928	628	26	–	63	24,489
– Foreign exchange adjustments	352	1,271	37	(37)	41	–	–	1,664
– Other non-cash movements	–	–	–	–	–	(608)	917	309
Net debt as at 31 December 2019	**252,793**	**64,893**	**46,400**	**5,517**	**279**	**(231)**	**909**	**370,560**

37 Cash flow information *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Total RMB million
Net debt as at 31 December 2017	135,517	31,913	47,334	–	1,805	408	216,977
Cash flows							
— Net cash flows from financing activities	65,893	7,918	(8,802)	13,636	(1,011)	(1,246)	76,388
— Interest paid	(13,363)	(2,130)	(2,492)	–	(83)	–	(18,068)
— Acquisitions of subsidiaries	37,276	–	3,475	–	–	–	40,751
— Disposals of subsidiaries	(8,321)	–	–	–	–	–	(8,321)
Non-cash movements							
— Interest expenses	13,415	2,646	2,389	596	83	–	19,129
— Loss/(gains) on early redemption	–	185	–	(65)	–	–	120
— Changes in fair value of derivative financial instruments	–	–	–	–	–	(22)	(22)
— Foreign exchange adjustments	1,266	1,184	4	976	–	–	3,430
— Equity component of convertible bonds	–	–	–	(275)	–	–	(275)
— Derivative liability component of convertible bonds	–	–	–	(1,700)	–	1,700	–
— Other non-cash movements	–	–	–	–	–	58	58
Net debt as at 31 December 2018	231,683	41,716	41,908	13,168	794	898	330,167

(d) Non-cash investing and financing activities

	2019 RMB million	2018 RMB million
Dividends satisfied by the issue of shares under the scrip dividend scheme (Note 36)	**2,048**	–
Distribution in specie of CG Services	**–**	1,765
	2,048	1,765

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38 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, excluding ordinary shares purchased by the Group and held as treasury shares (note 27).

	2019	2018
Profit attributable to owners of the Company (RMB million)	**39,550**	34,618
Weighted average number of ordinary shares in issue (million)	**21,375**	21,472
Earnings per share — Basic (RMB yuan per share)	**1.85**	1.61

(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. The Company had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call options. The convertible bonds are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options, awarded shares and written call options and conversion of convertible bonds. Written call options were excluded from the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2019.

	2019	2018
Profit attributable to owners of the Company (RMB million)	**39,550**	34,618
Weighted average number of ordinary shares in issue (million)	**21,375**	21,472
Adjustments — share options, awarded shares and convertible bonds (million)	**704**	838
Weighted average number of ordinary shares for diluted earnings per share (million)	**22,079**	22,310
Earnings per share — Diluted (RMB yuan per share)	**1.79**	1.55

39 Guarantees

	2019 RMB million	2018 RMB million
Guarantees in respect of mortgage facilities for certain property buyers (note (a))	**348,154**	319,239
Guarantees to joint ventures, associates and other related parties in respect of borrowings (note (b))	**73,239**	58,090
	421,393	377,329

Notes:

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

The directors of the Company consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

40 Commitments

(a) Commitments for capital expenditures

	2019 RMB million	2018 RMB million
Contracted but not provided for:		
Property, plant and equipment	**590**	36

40 Commitments *(Continued)*

(b) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2019 **RMB million**	2018 RMB million
Not later than one year	**264**	263
Later than one year and not later than two years	**193**	204
Later than two year and not later than three years	**148**	163
Later than three year and not later than four years	**103**	144
Later than four year and not later than five years	**81**	123
Later than five years	**497**	668
	1,286	1,565

The investment properties are leased to tenants under operating leases with rentals payable monthly. For details of the leasing arrangements, refer to note 8.

(c) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 3 for further information. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 **RMB million**	2018 RMB million
Not later than one year	**37**	104
Later than one year and not later than five years	**–**	164
Later than five years	**–**	49
	37	317

41 Transactions with non-controlling interests

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2019 are as follows:

	2019 RMB million
Changes in equity attributable to owners of the Company arising from:	
— Acquisitions of additional interests in subsidiaries (note (a))	250
— Disposals of interests in subsidiaries without loss of control (note (b))	(34)
— Deemed disposals of interests in subsidiaries without loss of control (note (c))	(37)
	179

(a) The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB1,060 million.

The following table summarises the effect of these acquisitions:

	2019 RMB million
Total carrying amounts of non-controlling interests acquired	1,310
Total consideration paid	(1,060)
Total difference recognised within equity	250

(b) The Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB416 million.

The following table summarises the effect of these disposals:

	2019 RMB million
Total carrying amounts disposed to non-controlling interests	(450)
Proceeds from disposals	416
Total difference recognised within equity	(34)

(c) Certain third parties injected capital which resulted in passive dilution of interests in certain subsidiaries without loss of control. The Group recognised a decrease in equity and an increase in non-controlling interests of RMB37 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Disposals of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB million
Disposal consideration	
— Cash received	**1,611**
— Outstanding and included in other receivables	**3,872**
— Fair value of investments in joint ventures and associates upon transfer from subsidiaries	**2,831**
	8,314
Less:	
— Total net assets of subsidiaries disposed of	**(14,112)**
— Non-controlling interest disposed of	**6,765**
Gains on disposals (note 31)	**967**
Cash proceeds from disposals, net of cash disposed of	
— Cash consideration received	**1,611**
— Less: cash and cash equivalents in the subsidiaries disposed of	**(8,211)**
Net cash outflow on disposals	**(6,600)**

43 Business combinations

Business combinations during the year mainly included the acquisitions of interest in property development companies and acquisitions of additional interests in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

43 Business combinations *(Continued)*

The acquired companies' principal activities are property development and construction. The financial information of these acquired companies on the acquisition dates is summarised as follows:

	RMB million
Total purchase consideration	
— Cash paid	7,978
— Fair value of investments in joint ventures and associates held before business combinations	9,141
	17,119
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,006
Restricted cash	1,726
Property, plant and equipment	255
Intangible assets	111
Properties under development and completed properties held for sale	155,547
Trade and other receivables	39,717
Contract assets and contract acquisition costs	1,647
Prepaid income taxes	6,799
Deferred income tax assets	9
Bank and other borrowings	(21,781)
Trade and other payables	(53,387)
Contract liabilities	(103,304)
Current income tax liabilities	(7,542)
Deferred income tax liabilities	(7,290)
Total identifiable net assets	19,513
Non-controlling interests	(1,739)
Negative goodwill	(655)
	17,119
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	(7,978)
— cash and cash equivalents in the subsidiaries acquired	7,006
Net cash outflow on acquisitions	(972)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Business combinations *(Continued)*

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The acquired businesses contributed total revenues of RMB48,035 million and net profit of RMB5,618 million to the Group for the period from their respective acquisition dates to 31 December 2019. Had these companies been consolidated from 1 January 2019, the consolidated statement income statement would show pro–forma revenue of RMB486,218 million and profit for the year of RMB58,843 million.

44 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the “Ultimate Controlling Shareholder”).

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2019 RMB million	2018 RMB million
(i) Entities controlled or significantly influenced by certain shareholders, certain directors and/or their close family members		
Purchase of design service	**2,950**	4,464
Construction service income	**8**	81
Purchase of property management services, consultancy and other services	**1,270**	510
Sales of properties	**–**	1,686
Other transactions	**305**	243
	4,533	6,984
(ii) Joint ventures		
Provision of guarantee in respect of borrowings	**48,570**	32,969
Construction service income	**3,696**	2,008
Other transactions	**1,261**	789
	53,527	35,766

44 Related party transactions *(Continued)*

(a) Transactions with related parties *(Continued)*

	2019 **RMB million**	2018 RMB million
(iii) Associates		
Provision of guarantee in respect of borrowings	**23,639**	24,229
Construction service income	**2,599**	2,197
Other transactions	**1,517**	407
	27,755	26,833

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(b) Key management compensation

Key management includes directors and chief executive officer of the Company.

	2019 **RMB million**	2018 RMB million
Fees and salaries	**67**	69
Discretionary bonuses	**196**	145
Other benefits and share-based compensation	**75**	60
	338	274

44 Related party transactions *(Continued)*

(c) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

	2019 RMB million	2018 RMB million
(i) Entities controlled by certain shareholder, certain directors and/or their close family members		
Trade and other receivables	**2,910**	2,435
Contract assets and contract acquisition costs	**52**	48
Trade and other payables	**3,628**	3,248
(ii) Joint ventures		
Trade and other receivables	**91,351**	51,446
Contract assets and contract acquisition costs	**1,911**	910
Trade and other payables	**51,001**	34,903
(iii) Associates		
Trade and other receivables	**27,056**	33,446
Contract assets and contract acquisition costs	**1,285**	895
Trade and other payables	**24,050**	27,388

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

(d) Senior notes

As at 31 December 2019, senior notes with principle amount of USD461 million (equivalent to approximately RMB3,216 million) (2018: USD81 million, equivalent to approximately RMB556 million) and USD16 million (equivalent to approximately RMB112 million) ((2018: USD2 million, equivalent to approximately RMB14 million) and USD5 million (equivalent to approximately RMB35 million) (2018: nil) were held by Mr. YEUNG Kwok Keung, Mr. MO Bin and Ms. YANG Ziying respectively.

45 Statement of financial position and reserve movement of the Company

	As at 31 December	
	2019	2018
	RMB million	RMB million
Non-current assets		
Investments in subsidiaries	**52,519**	47,598
Derivative financial instruments	**808**	391
Financial assets at fair value through other comprehensive income	**876**	859
	54,203	48,848
Current assets		
Amounts due from subsidiaries	**129,788**	110,381
Other receivables	**933**	674
Cash and cash equivalents	**2,353**	3,667
Derivative financial instruments	**447**	250
	133,521	114,972
Current liabilities		
Amounts due to subsidiaries	**22,808**	29,659
Other payables	**878**	468
Senior notes	**7,343**	2,238
Bank and other borrowings	**13,667**	17,985
Derivative financial instruments	**32**	111
	44,728	50,461
Net current assets	**88,793**	64,511
Total assets less current liabilities	**142,996**	113,359

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45 **Statement of financial position and reserve movement of the Company** *(Continued)*

	As at 31 December	
	2019	2018
	RMB million	RMB million
Non-current liabilities		
Senior notes	**57,550**	39,478
Bank and other borrowings	**29,416**	16,505
Corporate bonds	**14,941**	15,486
Derivative financial instruments	**77**	511
	101,984	71,980
Equity		
Share capital and premium	**32,130**	30,260
Other reserves (note)	**992**	196
Retained earnings (note)	**7,890**	10,923
Total equity	**41,012**	41,379
Total equity and non-current liabilities	**142,996**	113,359

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

MO Bin	**YANG Ziying**
Director	*Director*

45 Statement of financial position and reserve movement of the Company *(Continued)*

Note:

Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2019	**196**	**10,923**	**11,119**
Profit for the year	**–**	**8,483**	**8,483**
Deferred losses on cash flow hedges	**(36)**	**–**	**(36)**
Deferred gains of hedging	**487**	**–**	**487**
Issue of shares as a result of scrip dividend	**–**	**(2,048)**	**(2,048)**
Cash dividends	**–**	**(9,468)**	**(9,468)**
Employee share schemes			
— Value of employee services	**336**	**–**	**336**
— Issue of shares pursuant to share option scheme	**(9)**	**–**	**(9)**
Change in fair value of financial assets at FVOCI	**18**	**–**	**18**
At 31 December 2019	**992**	**7,890**	**8,882**
At 1 January 2018	865	5,801	6,666
Profit for the year	–	14,563	14,563
Deferred gains on cash flow hedges	35	–	35
Deferred costs of hedging	(1,099)	–	(1,099)
Dividends	–	(9,441)	(9,441)
Employee share schemes			
— Value of employee services	354	–	354
— Issue of shares pursuant to share option scheme	(33)	–	(33)
Change in fair value of financial assets at FVOCI	74	–	74
At 31 December 2018	196	10,923	11,119

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46 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD20,000,001	100%	0%	Investment holding
Incorporated in the BVI and operates in Hong Kong:					
Estonia Development Ltd	21 March 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Established and operates in Mainland:					
Guangdong Bright Dream Robotics Co., Ltd. 廣東博智林機器人有限公司	17 July 2018	RMB3,200,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Robotics Industrial Investment Co., Ltd. 佛山市順德區博智林機器人產業投資有限公司	15 August 2018	RMB10,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Intelligent Manufacturing Co., Ltd. 廣東博智林智慧製造有限公司	23 August 2018	RMB50,000,000	100%	0%	Research and development of robot intelligence
Zhuhai Bright Lingxi Technology Co. Ltd (i) 珠海市博靈犀技術有限公司	11 December 2019	RMB20,000,000	100%	0%	Research and development of robot intelligence

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Bright RuiEn Metal Technology Co., Ltd. 廣東博睿恩金屬科技有限公司	19 November 2018	RMB100,000,000	60%	40%	Research and development of robot intelligence
Country Garden Agricultural Holding Co., Ltd. 碧桂園農業控股有限公司	8 May 2018	RMB1,000,000,000	100%	0%	Agriculture and animal husbandry
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房產置業有限公司	10 July 2017	RMB10,000,000	100%	0%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	0%	Property development
Country Garden Real Estate Group Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,940,840,339	100%	0%	Property development
Changshu Chengdong Country Garden Real Estate Development Co., Ltd. 常熟市城東碧桂園房地產開發有限公司	30 November 2017	RMB50,000,000	88%	12%	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	0%	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB689,660,000	87%	13%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	0%	Property development
Foshan Green Lake Industrial Development Co., Ltd. 佛山市綠湖實業發展有限公司	30 November 1999	RMB85,000,000	85%	15%	Property development
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	0%	Property development
Foshan Shunde Zhouyu Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,889,820,339	100%	0%	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	USD253,800,000	100%	0%	Property development
Hainan Lingshui Country Garden Runda Property Investment Co., Ltd.* 海南陵水碧桂園潤達投資置業有限責任公司	11 April 2014	RMB200,000,000	49%	51%	Property development
Henan Country Garden Property Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	0%	Property development

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46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	0%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	0%	Property development
Huidong Country Garden Real Estate Development Co., Ltd 惠東碧桂園房地產開發有限公司	23 January 2008	RMB449,000,000	100%	0%	Property development
Jiangsu Baohua Country Garden Real Estate Co., Ltd. 江蘇寶華碧桂園置業有限公司	9 March 2016	RMB20,000,000	77%	24%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,300,000,000	100%	0%	Property development
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB500,000	100%	0%	Real estate consulting
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	USD604,500,000	100%	0%	Property development
Lanzhou Country Garden Real Estate Development Co., Ltd. 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB920,000,000	100%	0%	Property development
Qingyuan Country Garden Xinya Real Estate Development Co., Ltd. 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	0%	Property development
Shaoguan Bihong Real Estate Investment and Development Co., Ltd.* 韶關市碧鴻房地產投資開發有限公司	22 December 2016	RMB820,370,722	44%	56%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	0%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB1,000,000,000	100%	0%	Property development
Shenyang Hunnan Xincheng Counrty Garden Property Developement Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	0%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,300,000,000	100%	0%	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	0%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB3,000,000,000	100%	0%	Property development

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Yunnan Bicheng Real Estate Development Co., Ltd. 雲南碧城房地產開發有限公司	29 June 2016	RMB2,462,855,790	95%	5%	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	0%	Property development
Zhongshan Shengdu Property Development Co., Ltd. 中山市聖都房地產開發有限公司	8 November 2001	RMB31,000,000	72%	28%	Property development
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	0%	Construction
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,383,400,000	100%	0%	Construction
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	0%	Hotel operation
Shenzhen Bisheng Development Co., Ltd. 深圳碧盛發展有限公司	19 November 2015	RMB62,500,000	100%	0%	Investment consulting
Shenyang Shenbeixincheng Yidong Real Easte Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	0%	Property development
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd. 廣東順德鳳凰優選商業有限公司	24 January 2017	RMB425,000,000	100%	0%	Retail
Foshan Shunde Lunjiao Country Garden Real Estate Development Co., Ltd. 佛山市順德區倫教碧桂園房地產開發有限公司	18 March 2016	RMB1,000,000	95%	5%	Property development
Foshan Shunde Panpu Culture Co., Ltd. 佛山市順德區泮浦文化有限公司	19 June 2018	RMB1,000,000	100%	0%	Cultural activity planning
Foshan Shunde Xingtan Country Garden Real Estate Development Co., Ltd. 佛山市順德區杏壇碧桂園房地產開發有限公司	28 April 2018	RMB3,000,000	93%	7%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司	11 December 2013	RMB10,000,000	93%	7%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	0%	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司	1 September 2017	RMB5,000,000	53%	47%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司	18 September 2017	RMB1,000,000	58%	42%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司	3 January 2017	RMB1,000,000	91%	9%	Property development
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產信息諮詢有限公司	26 July 2013	RMB10,000,000	100%	0%	Real estate consulting
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB10,000,000	100%	0%	Electronic hardware development
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	0%	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築項目管理有限公司	14 March 2017	RMB34,659,100	100%	0%	Construction
Guangdong Biri Science & Technology Co., Ltd. 廣東碧日科技有限公司	6 March 2014	RMB10,000,000	100%	0%	Biomass energy development
Guangdong Cheng Jia Decoration Design Engineering Co., Ltd. 廣東誠加裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	0%	Construction
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB1,000,000,000	100%	0%	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	0%	Construction
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	0%	Food sales
Guangdong Excellent Landscape design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	0%	Landscape design
Haiyang Honghui Development Co., Ltd 海陽鴻輝發展有限公司	19 March 2010	RMB107,700,000	90%	10%	Property development
Huiyang Songtao Industry Co., Ltd 惠陽松濤實業有限公司	13 May 1991	RMB50,000,000	83%	17%	Property development
Jiangsu Nanbi Real Estate Development Co., Ltd 江蘇南碧房地產開發有限公司	27 April 2016	RMB10,000,000	100%	0%	Property development
Chengdu Haichang Real Estate Co., Ltd 成都海昌置業有限公司	2 February 2008	RMB20,000,000	100%	0%	Property development
Chaozhou Country Garden Real Estate Development Co., Ltd 潮州市碧桂園房地產開發有限公司	5 May 2016	RMB10,000,000	85%	15%	Property development
Wenzhou country garden Jiutai Real Estate Co., Ltd 溫州碧桂園久泰置業有限公司	8 August 2016	RMB80,000,000	95%	5%	Property development

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Chongqing Hongding Industrial Development Co., Ltd 重慶紅鼎實業發展有限責任公司	7 July 2004	RMB178,395,800	95%	5%	Property development
Sanya United Industry Co., Ltd 三亞聯合實業有限公司	5 September 2012	RMB375,411,106	100%	0%	Property development
Ningbo Hangzhou Bay New Area Country Garden Real Estate Development Co., Ltd 寧波杭州灣新區碧桂園房地產開發有限公司	14 August 2017	RMB50,000,000	63%	37%	Property development
Maoming country garden Zhennan Real Estate Development Co., Ltd 茂名市碧桂園振南房地產開發有限公司	30 August 2017	RMB10,000,000	92%	8%	Property development
Dongguan chuangying Real Estate Development Co., Ltd 東莞市創盈房地產開發有限公司	31 October 2017	RMB10,000,000	87%	13%	Property development
Jiangmen Xinhui Wenqing Country Garden Real Estate Development Co., Ltd 江門市新會區文清碧桂園房地產開發有限公司	15 December 2017	RMB10,000,000	91%	9%	Property development
Luohe Country Garden Real Estate Co., Ltd 漯河碧桂園置業有限公司	22 December 2017	RMB50,000,000	100%	0%	Property development
Shanxi country garden Yingxin Real Estate Development Co., Ltd 山西碧桂園盈信房地產開發有限公司	17 October 2017	RMB10,000,000	71%	29%	Property development
Kunming birunjun Real Estate Development Co., Ltd 昆明碧潤峻房地產開發有限公司	24 October 2017	RMB50,000,000	51%	49%	Property development
Huizhou Biquan Investment Co., Ltd 惠州碧泉投資有限公司	7 April 2017	RMB107,333,008	60%	40%	Property development
Sanya buyecheng Real Estate Co., Ltd 三亞不夜城置業有限公司	26 July 2011	RMB487,000,000	95%	5%	Property development
Yunnan Biqing Real Estate Development Co., Ltd 雲南碧清房地產開發有限公司	23 March 2018	RMB10,700,000	94%	6%	Property development
Yongzhou Runda Real Estate Co., Ltd 永州潤達置業有限公司	8 March 2018	RMB15,384,610	65%	35%	Property development
Wenzhou Xingyao Real Estate Development Co., Ltd 溫州星耀房地產開發有限公司	14 November 2017	RMB212,689,027	94%	6%	Property development
Taiyuan Junhe runbi Real Estate Development Co., Ltd 太原君和潤碧房地產開發有限公司	13 September 2017	RMB50,000,000	60%	40%	Property development
Foshan Nanhai District Rongsheng real estate development and Operation Co., Ltd 佛山市南海區溶聲房地產開發經營有限公司	30 July 2018	RMB3,249,891	93%	7%	Property development
Xiangtan Tanbi Real Estate Development Co., Ltd 湘潭市潭碧房地產開發有限公司	15 May 2018	RMB20,000,000	85%	15%	Property development
Luoyang bile Real Estate Co., Ltd (i) 洛陽碧樂置業有限公司	31 January 2019	RMB20,000,000	95%	5%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Yangzhou Country Garden Real Estate Development Co., Ltd (i) 揚州碧桂園房地產開發有限公司	24 May 2019	RMB20,000,000	90%	10%	Property development
Foshan Nanhai Guishi real estate development and Operation Co., Ltd 佛山市南海區桂石房地產開發經營有限公司	30 March 2018	RMB3,232,142	93%	7%	Property development
Foshan Shunde Desheng Real Estate Co., Ltd 佛山市順德區德晟房產有限公司	10 July 2017	RMB100,000,000	100%	0%	Property development
Changsha Bihong Real Estate Co., Ltd 長沙碧泓置業有限公司	30 May 2018	RMB10,000,000	85%	15%	Property development
Qingdao country garden Bolin Real Estate Co., Ltd 青島碧桂園博林置業有限公司	16 June 2017	RMB10,000,000	100%	0%	Property development
Guangzhou Yuedong Country Garden Investment Co., Ltd 廣州粵東碧桂園投資有限公司	29 November 2017	RMB100,100,000	100%	0%	Investment consulting
Guangdong Qianxi Catering Management Co., Ltd (i) 廣東千璽餐飲管理有限公司	5 May 2019	RMB500,000,000	100%	0%	Food sales
Guangdong biyouwei catering Co., Ltd (i) 廣東碧有味餐飲有限公司	10 May 2019	RMB10,000,000	100%	0%	Food sales
Guangdong Zhiyuan Robot Technology Co., Ltd (i) 廣東智源機器人科技有限公司	14 May 2019	RMB10,000,000	100%	0%	Research and development of robot intelligence
Guangdong Qianxi Management Consulting Co., Ltd (i) 廣東千璽管理諮詢有限公司	27 September 2019	RMB10,000,000	100%	0%	Management Consulting
Guangdong Boyue Intelligent Construction Technology Co., Ltd (i) 廣東博越智慧建造科技有限公司	8 March 2019	RMB1,000,000,000	100%	0%	Robot construction services
Guangdong bohanju new building materials Co., Ltd (i) 廣東博翰居新型建材有限公司	17 January 2019	RMB50,000,000	100%	0%	Research and development of robot intelligence
Foshan City Shunde Longjiang Town Country Garden Phoenix Hotel Co., Ltd 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2009	RMB100,000,000	100%	0%	Hotel operation
Biyouwei catering service (Foshan) Co., Ltd (i) 碧有味餐飲服務 (佛山) 有限公司	6 June 2019	RMB1,000,000	100%	0%	Food sales

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Bosheng Construction Technology Co., Ltd (i) 廣東博昇建築科技有限公司	10 January 2019	RMB50,000,000	100%	0%	Research and development of robot intelligence
Guangdong Bofang Zhongji Medical Technology Co., Ltd (i) 廣東博方眾濟醫療科技有限公司	8 May 2019	RMB50,000,000	100%	0%	Research and development of robot intelligence
Guangdong bozhilin Software Technology Co., Ltd (i) 廣東博智林軟件科技有限公司	5 July 2019	RMB10,000,000	100%	0%	Research and development of robot software
Guangdong Bochuang housing industrialization Co., Ltd (i) 廣東博創住宅工業化有限公司	5 July 2019	RMB100,000,000	100%	0%	Research and development of robot intelligence
Guangdong bohanju Equipment Technology Co., Ltd (i) 廣東博翰居裝備科技有限公司	30 August 2019	RMB500,000	100%	0%	Research and development of robot intelligence
Guangdong bojiatuo Construction Technology Co., Ltd (i) 廣東博嘉拓建築科技有限公司	12 December 2019	RMB50,000,000	100%	0%	Robot construction services
Foshan Leliu bohanju new building materials Co., Ltd (i) 佛山勒流博翰居新型建材有限公司	30 April 2019	RMB10,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Zhaoheng Country Garden Real Estate Co., Ltd 佛山市順德區肇恒碧桂園房地產置業有限公司	18 December 2018	RMB10,000,000	100%	0%	Property development
Jurong Xincheng Real Estate Construction Co., Ltd 句容市新城房產建設有限公司	28 February 2012	RMB20,000,000	100%	0%	Property development
Jurong Jinhui Real Estate Construction Co., Ltd 句容市金匯房產建設有限公司	21 February 2012	RMB20,000,000	100%	0%	Property development
Shenyang Yidong Real Estate Co., Ltd 沈陽伊東置業有限公司	25 April 2007	USD60,000,000	100%	0%	Construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Particulars of principal subsidiaries *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Established and operate overseas:					
BGY Cityview Holdings LLC*	6 July 2017	USD227,996,201	46%	54%	Property development
Country Garden Danga Bay Sdn. Bhd.	16 October 2012	RM150,000,100	100%	0%	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RM1,000,000	100%	0%	Property development
Risland(Thailand) Co,.Ltd	1 June 2017	THB 500,000,000	100%	0%	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

47 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

For the year ended 31 December 2019:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000
Chairman					
Mr. YEUNG Kwok Keung	–	10,000	5,657	–	16
Co-Chairman					
Ms. YANG Huiyan	–	15,000	10,328	–	16
Executive directors					
Mr. MO Bin*	–	15,000	9,254	44,436	16
Ms. YANG Ziying	–	10,000	3,389	–	16
Mr. YANG Zhicheng	–	4,000	30,000	10,589	46
Mr. SONG Jun	–	4,000	11,315	15,686	68
Mr. SU Baiyuan	–	4,000	13,479	4,115	21
Mr. LIANG Guokun (resigned on 18 October 2019)	–	3,183	113,030	–	15
Non-executive director					
Mr. CHEN Chong	–	370	–	–	16
Independent non-executive directors					
Mr. LAI Ming, Joseph	330	–	–	–	–
Mr. SHEK Lai Him, Abraham	330	–	–	–	–
Mr. TONG Wui Tung	330	–	–	–	–
Mr. HUANG Hongyan	240	–	–	–	–
Mr. TO Yau Kwok (appointed on 1 June 2019)	140	–	–	–	–
Mr. YEUNG Kwok On (resigned on 1 June 2019)	100	–	–	–	–
	1,470	65,553	196,452	74,826	230

* Chief executive officer of the Company

i. Mr. LIANG Guokun resigned on 18 October 2019 as executive director of the Company.

ii. Mr. TO Yau Kwok was appointed on 1 June 2019 as independent non-executive director of the Company, and Mr. YEUNG Kwok On resigned on 1 June 2019 as independent non-executive director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Benefits and interests of directors *(Continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2018:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000
Chairman					
Mr. YEUNG Kwok Keung	–	10,000	–	–	15
Co-Chairman					
Ms. YANG Huiyan (re-designated on 7 December 2018)	–	15,000	–	–	15
Executive directors					
Mr. MO Bin	–	15,000	16,321	37,509	15
Ms. YANG Ziying	–	10,000	–	–	15
Mr. YANG Zhicheng	–	4,000	24,834	6,278	44
Mr. XIE Shutai (resigned on 2 March 2018)	–	658	3,638	51	13
Mr. SONG Jun	–	4,000	37,127	13,223	71
Mr. LIANG Guokun	–	4,000	43,918	–	20
Mr. SU Baiyuan	–	4,000	19,235	3,232	19
Non-executive director					
Mr. CHEN Chong	–	370	1	–	15
Independent non-executive directors					
Mr. LAI Ming, Joseph	330	–	–	–	–
Mr. SHEK Lai Him, Abraham	330	–	–	–	–
Mr. TONG Wui Tung	330	–	–	–	–
Mr. HUANG Hongyan	240	–	–	–	–
Mr. MEI Wenjue (resigned on 2 March 2018)	39	–	–	–	–
Mr. YEUNG Kwok On	240	–	–	–	–
	1,509	67,028	145,074	60,293	242

Note: Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

47 Benefits and interests of directors *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2019, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2018: nil).

(c) Directors' termination benefits

During the year ended 31 December 2019, no payments to the directors of the Company as compensation for the early termination of the appointment (2018: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2019, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company. (2018: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2018: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, 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 (2018: nil).

48 Subsequent event

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been implemented across China continuously. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

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