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

*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United States.*

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

SHIMAO GROUP
世茂集團

SHIMAO GROUP HOLDINGS LIMITED
世 茂 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

OVERSEAS REGULATORY ANNOUNCEMENT

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

Reference is made to the announcement of Shimao Group Holdings Limited (the "**Company**") dated 14 September 2021 in relation to the issue of the Notes (the "**Announcement**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Please refer to the attached offering memorandum dated 13 September 2021 in relation to the Notes Issue (the "**Offering Memorandum**"), which has been published on the website of the SGX- ST.

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

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

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

By order of the Board
Shimao Group Holdings Limited
Lam Yee Mei, Katherine
Company Secretary

Hong Kong, 21 September 2021

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei and Mr. Lu Yi; one Non-executive Director, namely, Mr. Ye Mingjie; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lyu Hong Bing and Mr. Lam Ching Kam.

IMPORTANT NOTICE

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE ATTACHED DOCUMENT HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, RESOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.

The attached document is not a prospectus for the purposes of Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes (as defined in the attached document) 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 (the "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 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached document is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom 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 UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. 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 United Kingdom by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom 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 United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

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

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "UK distributor") should take into consideration the manufacturer's target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or such affiliate on behalf of the issuer in such jurisdiction. The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Fortune (HK) Securities Limited, SMBC Nikko Securities (Hong Kong) Limited, Standard Chartered Bank and United Overseas Bank Limited (the "Initial Purchasers"), any person who controls it or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchaser.

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

Offering Memorandum Strictly Confidential

世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世 茂 集 團 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

US$300,000,000 3.975% Senior Notes due 2023

Issue Price: 100.0%

US$748,000,000 5.20% Senior Notes due 2027

Issue Price: 99.777%

Our 3.975% Senior Notes due 2023 (the "2023 Notes") will bear interest at the rate of 3.975% per annum payable semi-annually in arrears on March 16, and September 16 of each year, beginning March 16, 2022 and will mature on September 16, 2023. Our 5.20% Senior Notes due 2027 (the "2027 Notes" and, together with the 2023 Notes, the "Notes") will bear interest at the rate of 5.20% per annum payable semi-annually in arrears on January 16 and July 16 of each year, beginning January 16, 2022, except that the first payment of interest, to be made on January 16, 2022, will be in respect of the period from and including September 16, 2021 to but excluding January 16, 2022, and will mature on January 16, 2027.

In this offering memorandum, references to the "Notes" are to the 2023 Notes and the 2027 Notes collectively and references to the "Description of the Notes" are to the "Description of the 2023 Notes" and/or the "Description of the 2027 Notes," as the case may be.

The 2023 Notes are to be issued pursuant to the provisions of an indenture, to be dated as of September 16, 2022 (the "2023 Notes Indenture"), between the Company and Citicorp International Limited, as trustee (the "2023 Notes Trustee"). The 2027 Notes are to be issued pursuant to the provisions of an indenture, to be dated as of September 16, 2022 (the "2027 Notes Indenture" and, together with the 2023 Notes Indenture, the "Indentures"), between the Company and Citicorp International Limited, as trustee (the "2027 Notes Trustee").

The Notes are senior obligations of Shimao Group Holdings Limited (the "Company").

We may redeem up to 35% of the aggregate principal amount of the 2023 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 103.975% of the principal amount of the 2023 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. For a more detailed description of the redemption of the 2023 Notes, see "Description of the 2023 Notes—Optional redemption". We may redeem up to 35% of the aggregate principal amount of the 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 105.20% of the principal amount of the 2027 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. For a more detailed description of the redemption of the 2027 Notes, see "Description of the 2027 Notes—Optional redemption". We may at our option redeem the Notes, in whole or in part, at a redemption price equal to the greater of (x) 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption and (y) the Make Whole Price (as defined herein). Upon the occurrence of a Change of Control Triggering Event (as defined in the Indentures), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) at least *pari passu* in right of payment against the Company with respect to all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) effectively subordinated to the secured obligations of the Company, to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Restricted Subsidiaries.

For a more detailed description of the 2023 Notes. see "Description of the 2023 Notes" beginning on page 195. For a more detailed description of the 2027 Notes. see "Description of the 2027 Notes" beginning on page 222.

The 2027 Notes are being issued as "Green Bonds" under our Green Finance Framework. See the section entitled "Notes Being Issued as Green Bonds."

Investing in the Notes involves risks. See "Risk Factors" beginning on page 14.

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

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

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on August 18, 2021 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about September 16, 2021 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

HSBC **J.P. Morgan** **Morgan Stanley**

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

BOCOM International **China International Capital Corporation** **Fortune (HK) Securities Limited** **SMBC Nikko** **Standard Chartered Bank** **UOB**

The date of this offering memorandum is September 13, 2021

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

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "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 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. 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 United Kingdom by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom 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 United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "UK distributor") should take into consideration the manufacturer's target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

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

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

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

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

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

No representation or warranty, express or implied, is made or given by The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, Fortune (HK) Securities Limited, SMBC Nikko Securities (Hong Kong) Limited, Standard Chartered Bank and United Overseas Bank Limited (the "Initial Purchasers") or any of their respective affiliates or advisers as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. The Initial Purchasers have not independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, the Initial Purchasers do not accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Initial Purchasers or on their behalf in connection with the Company or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of us in such jurisdiction.

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

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

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

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

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP") and certain other jurisdictions. Unless the context otherwise requires, references to "2018," "2019" and "2020" in this offering memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

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

References to "Shanghai Shimao" are to Shanghai Shimao Co., Ltd., our subsidiary with shares listed on the Shanghai Stock Exchange. As of the date of this offering memorandum, we hold a 63.92% equity interest in Shanghai Shimao.

References to the "July 2017 Notes" are to our 4.75% Senior Notes due 2022. See "Description of the Other Material Indebtedness—July 2017 Notes" for more details.

References to the "January 2018 Notes" are to our 5.20% Senior Notes due 2025. See Description of the Other Material Indebtedness—January 2018 Notes" for more details.

References to the "March 2018 Notes" are to our 5.75% Senior Notes due 2021. See "Description of Other Material Indebtedness—March 2018 Notes" for more details.

References to the "October 2018 Notes" are to our 6.375% Senior Notes due 2021. See "Description of Other Material Indebtedness—October 2018 Notes" for more details.

References to the "February 2019 Notes" are to our 6.125% Senior Notes due 2024. See "Description of Other Material Indebtedness—February 2019 Notes" for more details.

References to the "July 2019 Notes" are to our 5.60% Senior Notes due 2026. See "Description of Other Material Indebtedness—July 2019 Notes" for more details.

References to the "July 2020 Notes" are to our 4.60% Senior Notes due 2030. See "Description of Other Material Indebtedness—July 2020 Notes" for more details.

References to the "January 2021 Notes" are to our 3.45% Senior Notes due 2031. See "Description of Other Material Indebtedness—January 2021 Notes" for more details.

References to the "April 2021 Notes" are to our 4.50% Senior Notes due 2022. See "Description of Other Material Indebtedness—April 2021 Notes" for more details.

In this offering memorandum, unless the context otherwise requires, all references to "Affiliate" are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"), as amended (the "Listing Rules"), which includes: (i) a "subsidiary undertaking" as defined in Schedule 1 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to "associate" are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director of our Company, chief executive or substantial shareholder of a listed issuer; and all references to "controlling shareholder" are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and "controlling interest" will be construed accordingly.

In this offering memorandum, 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 purposes only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

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

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

- changes in currency exchange rates; and
- other factors beyond our control.

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

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability. The Cayman Islands has different bodies of securities laws from the United States and protections for investors may differ.

All of our assets are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons’ assets are or may be 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 or to enforce against us 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 expect to appoint Cogency Global Inc. as our agent to receive service of process with respect to any action brought against us 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 in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

We have been advised by our Cayman Islands legal adviser, Harney Westwood & Riegels, that any final and conclusive monetary judgment for a definite sum obtained in the United States courts against us would be treated by the courts of the Cayman Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that: (a) the court giving such judgment had jurisdiction in the matter and that we either submitted to such jurisdiction or were resident or had a fixed place of business within such jurisdiction and was duly served with process; (b) the judgment given was not in respect of penalties, taxes, fines or other amounts payable to any government entity; (c) the judgment was not procured by fraud; (d) recognition or enforcement of the judgment in the Cayman Islands would not be contrary to public policy; and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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

GLOSSARY OF TECHNICAL TERMS

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

CAGR	compound annual growth rate
certificate of completion	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
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
construction land planning permit	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
GFA	gross floor area
land grant confirmation letter	a letter issued by the relevant PRC land and resources bureau confirming that a property developer has been selected as the winner of the tender, auction or listing-for-sale process for the grant of the state-owned land use rights of a parcel of land
land grant contract	an agreement between a property developer and a PRC land authority, typically the local state owned land resources bureaus, 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	a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights
LAT	land appreciation tax

low-density	the low-density property that we develop includes stand-alone houses, semi-detached houses and townhouses
pre-sale	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations
pre-sale permit	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
properties for sale	our completed properties held for sale and properties under development for sale, collectively
property ownership certificate	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land
sq.m.	square meter(s)

SUMMARY

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

OVERVIEW

We are a large-scale developer and owner of high-quality real estate projects in China. We specialize in developing mid- to high-end residential, retail and office properties for sale and prime and well-located hotel, retail and office properties for long-term investment. We have a track record of successfully bringing to market real estate projects in Shanghai, Beijing, Hangzhou, Suzhou, Nanjing, Fuzhou and other fast-growing cities in China.

As of June 30, 2021, we had a total of 424 projects (including projects we develop with our joint venture partners) at various stages of development in over 110 core cities located in the Jingjinji Metropolitan Region, the middle and lower reaches of the Yangtze River, the Economic Zone on the coastal cities along the West Coast of the Taiwan Strait, the Pearl-River Delta, the Cheng-Yu Economic Zone, Shandong Peninsula and other regions of rapid economic growth. As of June 30, 2021, we had a land bank with an estimated total GFA of approximately 72.8 million sq.m., comprising properties under development with an aggregate planned GFA of approximately 50.7 million sq.m. and properties held for future development with an aggregate planned GFA of approximately 22.1 million sq.m. As of June 30, 2021, our projects (including projects we develop with our joint venture partners) held for future development included an aggregate planned GFA attributable to us of approximately 3.2 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights. Our average land cost for our land bank reserve as of June 30, 2021 was approximately RMB5,554 per sq.m.

Our property portfolio comprises high-quality residential, retail and office properties for sale as well as high-end hotels, retail and office properties held for long-term investment, which include, among others, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Yutopia Wuyi Mountain Retreat, Conrad Xiamen, DoubleTree by Hilton Ningbo Beilun, Hilton Yantai, Hilton Shenyang, Le Méridien Hangzhou Binjiang, InterContinental Shanghai Wonderland and four hotels entrusted to Shimao Star for management. For the years ended December 31, 2018, 2019 and 2020, we generated 94.6%, 94.4% and 93.2%, respectively, of our revenue from the sales of properties and the remaining 5.4%, 5.6% and 6.8%, respectively, from our hotel operations, leasing of investment properties, property management and other operations.

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB85,512.7 million, RMB111,517.0 million and RMB135,352.8 million (US$20,743.7 million), respectively, and the profit for the year was RMB12,310.9 million, RMB16,380.0 million and RMB19,462.5 million (US$2,982.8 million), respectively.

Our Strengths

We believe our primary competitive strengths are:

- market leadership and proven execution capabilities;
- sizable and geographically diversified low-cost land bank in high growth cities;
- balanced property portfolio with strong recurring income;
- expertise in integrated development projects;
- valuable and well-recognized brand name associated with high quality and innovative products;
- diversified funding channels with strong financing capabilities;
- strong relationships with international business and real estate industry partners; and
- experienced and stable management team.

Our Strategies

We aim to continue to grow as a leading property developer and investor with a strong presence in key cities and economic regions in China as well as Hong Kong. We have developed the following business strategies to pursue our growth objectives:

- continue to enhance our "Shimao" brand name;
- continue to pursue product diversification and refine our asset portfolio to achieve a balanced revenue profile;
- continue to expand our business operations and land bank in a disciplined manner;
- promote environmental protection, energy-saving and low carbon emission in planning and design work; and
- continue to adopt prudent financial policy and proactive approach to capital structure management.

Recent Developments

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

General Information

We were incorporated in the Cayman Islands on October 29, 2004, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since July 5, 2006. Our place of business in Hong Kong is at 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. Our website is *www.shimaogroup.hk*. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete and it is subject to important limitations and exceptions. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the 2023 Notes, see "Description of the 2023 Notes." For a more detailed description of the 2027 Notes, see "Description of the 2027 Notes." The information contained in "Description of the 2023 Notes" and "Description of the 2027 Notes" shall prevail to the extent of any inconsistency with the information set forth in this section. Terms used in this summary and not otherwise defined have the meanings given to them in the sections entitled "Description of the 2023 Notes" and "Description of the 2027 Notes," as the case may be.

Issuer	Shimao Group Holdings Limited.
Notes Offered	2023 Notes: US$300,000,000 aggregate principal amount of 3.975% Senior Notes due 2023 (the "2023 Notes"). 2027 Notes: US$748,000,000 aggregate principal amount of 5.20% Senior Notes due 2027 (the "2027 Notes").
Issue Price	2023 Notes: 100.0% of the principal amount of the 2023 Notes. 2027 Notes: 99.777% of the principal amount of the 2027 Notes.
Maturity Date	2023 Notes: September 16, 2023. 2027 Notes: January 16, 2027.
Interest	The 2023 Notes bear interest at a rate of 3.975% per annum payable semi-annually in arrears on March 16 and September 16 of each year, commencing March 16, 2022. The 2027 Notes bear interest at a rate of 5.20% per annum payable semi-annually in arrears on January 16 and July 16 of each year, commencing January 16, 2022, except that the first payment of interest, to be made on January 16, 2022, will be in respect of the period from and including September 16, 2021 to but excluding January 16, 2022.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;

- at least *pari passu* in right of payment against the Company with respect to all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- effectively subordinated to the secured obligations of the Company, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Restricted Subsidiaries.

Use of Proceeds	We intend to use the net proceeds from this offering outside the PRC to refinance our existing mid- to long-term offshore bonds due within one year. Subject to the foregoing, we plan to use an amount equal to the net proceeds from the offering of the 2027 Notes to finance or refinance, in whole or in part, Eligible Green Projects in accordance with our Green Finance Framework.

Optional Redemption	*2023 Notes* At any time and from time to time prior to September 16, 2023, the Company may redeem up to 35% of the aggregate principal amount of the 2023 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 103.975% of the principal amount of the 2023 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the 2023 Notes originally issued on the 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. At any time prior to September 16, 2023, the Company may at its option redeem the 2023 Notes, in whole or in part, at a redemption price equal to the greater of (x) 100% of the principal amount of the 2023 Notes to be redeemed plus accrued and unpaid interest on the 2023 Notes to be redeemed, if any, to the date of redemption and (y) the Make Whole Price, as set forth in "Description of the 2023 Notes—Optional Redemption." *2027 Notes* At any time and from time to time on or after September 16, 2024, the Company may at its option redeem the 2027 Notes, in whole or in part, at the redemption price set forth in "Description of the 2027 Notes—Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to September 16, 2024, the Company may redeem up to 35% of the aggregate principal amount of the 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 105.20% of the principal amount of the 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 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. At any time prior to September 16, 2024, the Company may at its option redeem the 2027 Notes, in whole or in part, at a redemption price equal to the greater of (x) 100% of the principal amount of the 2027 Notes to be redeemed plus accrued and unpaid interest on the 2027 Notes to be redeemed, if any, to the date of redemption and (y) the Make Whole Price, as set forth in "Description of the 2027 Notes—Optional Redemption."

Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount *plus* accrued and unpaid interest, if any, to the repurchase date. See "Description of the 2023 Notes—Repurchase of Notes Upon a Change of Control Triggering Event" and "Description of the 2027 Notes—Repurchase of Notes Upon a Change of Control Triggering Event."
Redemption for Taxation Reason	As more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the 2023 Notes—Redemption for Taxation Reasons" and "Description of the 2027 Notes—Redemption for Taxation Reasons."
Covenants	The Notes, the Indentures governing the Notes limit the Company's ability and/or the ability of its Restricted Subsidiaries to, among other things: • create liens; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the 2023 Notes—Certain Covenants" and "Description of the 2027 Notes—Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.

Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “Description of the 2023 Notes—Book Entry; Delivery and Form” and “Description of the 2027 Notes—Book Entry; Delivery and Form.”
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about September 16, 2021, which the Company expects will be the third business day following the date of this offering memorandum referred to as “T+3.” You should note that initial trading of the Notes may be affected by the T+3 settlement. See “Plan of Distribution.”
2023 Notes Trustee	Citicorp International Limited
2027 Notes Trustee	Citicorp International Limited
Principal Paying and Transfer Agent and Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Governing Law	The Notes and the Indentures will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”
Common Code/ISIN	

	2023 Notes	2027 Notes
ISIN	XS2385392779	XS2385392936
Common Code	238539277	238539293

Legal Entity Identifier	254900WTJ6B5CU69ZD26

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended December 31, 2018, 2019 and 2020 and the summary consolidated balance sheet data as of December 31, 2018, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for the years ended and as of December 31, 2019 and 2020, as audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, our independent auditor. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The Group has adopted HKFRS 16 "Leases" ("HKFRS 16") from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and adjustments arising from HKFRS 16 adoption are recognised in the opening balance sheet on January 1, 2019. Therefore, the audited consolidated financial statements for the year ended December 31, 2019 are not comparable to the consolidated financial statements for the year ended December 31, 2018. The impact of the adoption of HKFRS 16 is disclosed in Note 2 of the consolidated financial statements for the year ended December 31, 2019. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* *(Unaudited)*	*(RMB)*	*(US$)* *(Unaudited)*
	(in thousands, except percentages)				
Revenue	85,512,704	111,516,981	17,090,725	135,352,755	20,743,717
Cost of sales	(58,563,625)	(77,386,427)	(11,859,989)	(95,685,488)	(14,664,443)
Gross profit	26,949,079	34,130,554	5,230,736	39,667,267	6,079,274
Fair value gains on investment properties – net	1,910,251	2,335,257	357,894	397,539	60,926
Other income/other gains – net	297,280	351,639	53,891	1,029,335	157,752
Selling and marketing costs	(2,023,438)	(2,824,871)	(432,930)	(4,416,344)	(676,834)
Administrative expenses	(3,429,512)	(4,381,122)	(671,436)	(5,498,682)	(842,710)
(Provision for)/reversal of impairment losses on financial assets	25,529	(70,375)	(10,785)	(482,918)	(74,010)
Other operating expenses	(520,488)	(337,635)	(51,745)	(503,530)	(77,169)
Operating profit	23,208,701	29,203,447	4,475,625	30,192,667	4,627,229
Finance (costs)/income – net	(337,027)	(284,920)	(43,666)	3,315,459	508,116
Fair value changes of convertible redeemable shares of subsidiary	–	–	–	(75,860)	(11,626)
Share of results of associated companies and joint ventures accounted for using the equity method	(233,469)	96,825	14,839	159,320	24,417
Profit before income tax	22,638,205	29,015,352	4,446,798	33,591,586	5,148,136
Income tax expense	(10,327,273)	(12,635,387)	(1,936,458)	(14,129,120)	(2,165,382)
Profit for the year	12,310,932	16,379,965	2,510,340	19,462,466	2,982,754
Profit for the year attributable to equity holders of the Company	8,834,790	10,897,600	1,670,130	12,627,679	1,935,276
Other Financial Data (Unaudited)					
EBITDA[(1)]	25,981,267	32,468,483	4,976,014	36,506,881	5,594,925
EBITDA margin[(2)]	30.4%	29.1%	29.1%	27.0%	27.0%

Notes:

(1) EBITDA for any period consists of operating profit before fair value gains or losses on the investment properties and certain other special gains or expenses plus depreciation, amortization expenses and capitalized interest under cost of sales. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

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

	For the year ended December 31,				
	2018	**2019**		**2020**	
	(RMB)	*(RMB)*	*(US$)* **(Unaudited)** *(in thousands)*	*(RMB)*	*(US$)* **(Unaudited)**
Operating profit for the year	23,208,701	29,203,447	4,475,625	30,192,667	4,627,229
Adjustments:					
Add:					
Capitalised interest recognised in cost of sales	4,104,972	4,870,868	746,493	6,297,797	965,180
Depreciation of property and equipment	585,515	732,951	112,330	753,067	115,413
Amortisation of land use rights	78,368	–	–	–	–
Amortisation of right-of-use assets	–	221,738	33,983	231,605	35,495
Less:					
Fair value gain on investment properties – net	1,910,251	2,335,257	357,894	397,539	60,926
Gains on disposal of subsidiaries with loss of control	15,207	41,153	6,307	33,302	5,104
Gain/(loss) on derivative financial instruments	11,278	40,288	6,174	(68,152)	(10,445)
Gain on disposal of investment in structured products issued by banks and other financial institution	19,558	–	–	–	–
Gain on acquisition of subsidiaries	1,814	143,823	22,042	400,302	61,349
Gains on deemed disposal of subsidiaries with loss of control	38,181	–	–	–	–
Gain arising from negative goodwill	–	–	–	205,264	31,458
EBITDA	25,981,267	32,468,483	4,976,014	36,506,881	5,594,925

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

Summary Consolidated Balance Sheet Data

	As of December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* *(Unaudited)*	*(RMB)*	*(US$)* *(Unaudited)*
			(in thousands)		
Non-current assets					
Right-of-use assets	–	8,217,754	1,259,426	8,316,268	1,274,524
Property and equipment	14,577,637	15,922,942	2,440,298	16,864,312	2,584,569
Investment properties	36,891,022	56,062,747	8,591,992	63,175,590	9,682,083
Land use rights	7,965,764	–	–	–	–
Intangible assets	1,840,658	2,009,346	307,946	3,826,812	586,485
Investments accounted for using the equity method	16,966,160	24,167,175	3,703,781	30,936,756	4,741,265
Associated companies	1,594,487	3,848,564	589,818	4,428,791	678,742
Joint ventures	15,371,673	20,318,611	3,113,963	26,507,965	4,062,523
Amounts due from related parties	1,589,737	1,440,840	220,818	1,978,774	303,260
Financial assets at fair value through other comprehensive income	981,680	988,995	151,570	1,974,946	302,674
Financial assets at fair value through profit or loss	176,727	179,637	27,531	168,016	25,750
Deferred income tax assets	2,806,563	3,055,128	468,219	3,231,065	495,182
Other non-current assets	4,952,069	5,483,634	840,404	3,722,189	570,450
	88,748,017	117,528,198	18,011,985	134,194,728	20,566,242
Current assets					
Inventories	192,689,769	234,467,515	35,933,719	313,787,270	48,090,003
Properties under development	170,840,408	206,833,967	31,698,692	279,870,078	42,891,966
Completed properties held for sale	21,849,361	27,633,548	4,235,027	33,917,192	5,198,037
Trade and other receivables and prepayments	19,922,877	18,732,702	2,870,912	21,387,554	3,277,786
Prepayment for acquisition of land use rights	6,321,397	13,651,351	2,092,161	13,483,055	2,066,369
Prepaid income taxes	3,715,789	4,407,190	675,431	4,452,805	682,422
Amounts due from related parties	16,609,749	22,981,077	3,522,004	33,978,392	5,207,416
Derivative financial instruments	12,468	63,004	9,656	2,337	358
Restricted cash	5,888,489	7,265,779	1,113,529	7,428,982	1,138,541
Cash and cash equivalents	43,688,296	52,357,251	8,024,100	61,038,027	9,354,487
	288,848,834	353,925,869	54,241,512	455,558,422	69,817,382
Current liabilities					
Trade and other payables	50,585,171	79,057,586	12,116,105	102,506,442	15,709,800
Contract liabilities	47,173,444	74,652,393	11,440,980	106,126,631	16,264,618
Income tax payable	20,595,196	25,216,120	3,864,539	30,480,635	4,671,362
Borrowings	31,306,474	36,781,947	5,637,080	36,540,759	5,600,116
Amounts due to related parties	38,234,642	41,502,443	6,360,528	44,371,171	6,800,179
Lease liabilities	–	139,939	21,447	37,495	5,746
Derivative financial instruments	–	–	–	33,114	5,075
	187,894,927	257,350,428	39,440,679	320,096,247	49,056,896

	As of December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* *(Unaudited)* *(in thousands)*	*(RMB)*	*(US$)* *(Unaudited)*
Net current assets	100,953,907	96,575,441	14,800,833	135,462,175	20,760,486
Total assets less current liabilities	189,701,924	214,103,639	32,812,818	269,656,903	41,326,728
Non-current liabilities					
Borrowings	77,825,292	89,773,388	13,758,374	108,602,305	16,644,031
Deferred income tax liabilities	6,596,455	7,533,056	1,154,491	8,520,394	1,305,808
Lease liabilities	–	93,009	14,254	39,452	6,046
	84,421,747	97,399,453	14,927,119	117,162,151	17,955,885
Equity					
Share capital	341,575	341,575	52,349	362,850	55,609
Reserves	58,892,631	65,913,306	10,101,656	87,639,210	13,431,297
	59,234,206	66,254,881	10,154,005	88,002,060	13,486,906
Non-controlling interests	46,045,971	50,449,305	7,731,694	64,492,692	9,883,937
	105,280,177	116,704,186	17,885,699	152,494,752	23,370,843

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

We are dependent on the performance of the PRC property market

Our business and prospects depend on the performance of the property market in the PRC. As of June 30, 2021, we had 424 projects at various stages of development located in cities in the Yangtze River Delta such as Shanghai, Nanjing, Hefei, Wuhu, Kunshan, Zhangjiagang, Jiangyin, Changshu, Suzhou, Wuxi, Xuzhou, Changzhou, Taizhou, Hangzhou, Shaoxing, Jiaxing, Nantong and Ningbo, cities in the Bohai Rim such as Beijing, Tianjin, Jinan, Gu'an, Dalian and Qingdao, cities in Pearl River Delta such as Guangzhou, Foshan, Shenzhen and Hong Kong and key regional cities such as Fuzhou, Quanzhou, Wenchang, Wuhan, Changsha, Nanning, Xianyang, Nanchang, Chengdu, Chongqing, Yinchuan, Xiamen, Jinjiang, Shenyang, Mudanjiang, Xi'an and Zhengzhou. Any property market downturn in the PRC generally or, in particular, in Yangtze River Delta, Bohai Rim or other cities and regions where we operate, could adversely affect our business, results of operations and financial condition.

Demand for private residential properties in the PRC, particularly in the Yangtze River Delta and the Bohai Rim, has grown significantly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In addition, demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time. In recent years, the PRC government has announced a series of measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level. For more information on the measures, see "Regulation."

We cannot assure you that property development and investment activities will continue at past levels or that there will not be an economic downturn in the property markets in the regions and cities where we operate. Our business, financial condition and results of operations have been and will continue to be dependent on the state of the PRC property market, and our business may be affected by adverse developments in the supply and demand for properties or adverse change in property prices in the PRC. Any adverse development in the property market in the regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

Increasing competition in the PRC, particularly in the Yangtze River Delta and the Bohai Rim, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in the PRC, particularly in the Yangtze River Delta and the Bohai Rim. The intensity of the competition among property developers in the Yangtze River Delta, the Bohai Rim and other parts in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the properties we sell and may adversely affect our business, financial condition and results of operations.

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

We may not be able to obtain sites that are suitable for property developments

We derive a substantial portion of our revenue from sales of properties that we have developed. To have a steady stream of developed properties available for sale and sustainable business growth, we need to replenish and increase our land reserves with additional land suitable for development. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control.

The supply of substantially all of the land in the PRC is controlled and regulated by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. See "—Risks Relating to Our Industry—The PRC government may adopt further measures to cool down the overheating of the property sector." If we fail to acquire sufficient land reserves in a timely manner and on acceptable terms, or at all, our business, prospects, results of operations and financial condition may be materially and adversely affected.

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

We have expanded into second-and third-tier cities in the PRC as well as Hong Kong and plan to increase our penetration into these cities. In addition, we may expand our business into other geographic areas where the local potential customers may not be familiar with our brand. We cannot assure you that we can execute successfully our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows.

As we continue to grow, we must improve our managerial, technical and operational knowledge and skill and allocation of resources, and implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our 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 an increasing number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, 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. 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 expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we 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 operations and future prospects.

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

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

On September 28, 2007, the Ministry of Land and Resources issued revised "Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of Tender, Auction and Listing-for-sale" (招標拍賣掛牌出讓國有建設用地使用權規定), 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 and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not 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, which had been the practice in many Chinese cities. The implementation of such regulation requires property developers to maintain a higher level of working capital, which may have a material adverse effect on our cash flow position, financial condition and business plans.

The land use rights for some of our development sites will not be formally vested until we have received the relevant land use rights certificates

Under current PRC land grant policies, the relevant authorities will not issue the formal land use rights certificate for a piece of land until the developer has paid the land premium in full, completed the resettlement process and is in compliance with other land grant conditions. Although we have obtained the formal land use rights certificates for all our properties under development, we have yet to obtain the formal land use rights certificates for some of our project sites held for future development. As of December 31, 2020, the development sites for which we had not obtained formal land use rights included Nanjing Shimao Bund New City and Fuzhou Yongtai Project. We have not made the remaining payment to the local government for obtaining certain parcels of the land for Nanjing Shimao Bund New City prior to obtaining the land use rights certificate. For certain land parcels of Fuzhou Yongtai Project, the local government has not delivered the land to us.

The land use rights for these properties and the land that we may acquire in the future will not be formally vested until we have received the corresponding formal land use rights certificates. If we fail to acquire the land use rights for our projects in a timely manner, or at all, our business and prospects, results of operations and financial condition may be materially and adversely affected.

We may not be able to obtain adequate funding to finance our land acquisitions or property developments

The property development business is capital intensive. We have historically financed our land acquisition and property developments primarily through a combination of capital contributions from our shareholders, bank and other borrowings, internal cash flows, including proceeds from the pre-sale of our properties, and other funds we raised from the capital markets, including the initial public offering of our shares in 2006 and our offering of senior notes, such as the July 2017 Notes, the January 2018 Notes, the March 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes, the April 2021 Notes and the Notes, among others. 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, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of December 31, 2020, our borrowings included in non-current liabilities and current liabilities were RMB108.6 billion (US$16.6 billion) and RMB36.5 billion (US$5.6 billion), 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, many of which are beyond our control. The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;

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

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

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

In addition, the PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. The reserve requirement ratio for commercial banks currently ranges from 5.5% - 10.5%. The PBOC, together with CBRC, also sets forth the ratio(s) between the amount of outstanding property loans that a PRC banking financial institution may have and the total outstanding amount of loans of that banking financial institution. This ratio currently ranges from 12.5% to 40.0%. On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management etc. will be adopted and implemented. All banking and insurance regulatory bureaus, local housing and urban-rural construction departments, and branches of the PBOC shall jointly carry out a special investigation on the illegal flow of business-use loans into real estate, complete the investigation before May 31, 2021, and increase supervision and rectification of illegal problems and penalties.

We cannot assure you that the PRC government will not introduce other measures which may limit our access to capital resources. The foregoing and other governmental actions and policy initiatives may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to legal and business risks if we fail to obtain or maintain formal qualification certificates or other requisite government approvals

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the Provisions on Administration of Qualification Certificates of Property Developers (房地產開發企業資質管理規定), newly established developers must first apply for a provisional qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate.

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to 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. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer's property development investments, history of property development, quality of property construction, expertise of the developer's management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies is responsible for, and monitors, the annual submission of its renewal application. If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. Qualification certificates of certain of our project companies have expired and we are in the process of renewing such certificates. We cannot assure you that the qualification certificates of any of our project companies will continue to be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

In addition to the above, we cannot assure you that we will not encounter problems in making payment of the registered capital in a timely manner or at all, or satisfying other conditions necessary for the issuance of other licenses, certificates, permits or approvals. If we fail to obtain the necessary licenses, certificates, permits or approvals for any of our PRC subsidiaries or property projects, our business, results of operations and financial condition may be materially and adversely affected.

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

On May 23, 2007, MOFCOM and SAFE jointly promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which provides that foreign-invested real estate enterprises approved to be incorporated by the competent local authority shall promptly complete required filings with MOFCOM. Pursuant to the Guidelines for Administration over Foreign Debt Registration (外債登記管理操作指引) promulgated by SAFE on April 28, 2013 and effective from May 13, 2013, real estate enterprises with foreign investment approved by local MOFCOM and filed with MOFCOM after (and including) June 1, 2007 are not allowed to register foreign debt contracts with SAFE or its local branches; where the foreign-invested real estate enterprise does not fully pay the registered capital, or does not obtain the Land Use Certificate for State-owned Land, or the registered capital for project development fails to reach 35% of total amount of project investment, such enterprise shall not incur foreign debt and SAFE or its local branches shall not register foreign debt contracts for such enterprise.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner, or at all.

The nature of our business may expose us to unpredictable and unstable operating cash flows

Our operating cash flow will affect our liquidity and our ability to service our indebtedness. We had a net cash generated from operating activities of RMB2,209.9 million in 2018 and RMB29,479.9 million in 2019. We had a net cash generated from operating activities of RMB6,841.7 million (US$1,048.5 million) in 2020. We cannot assure you that we will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

The global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, our business

The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have had a negative impact on the PRC economy, which in turn has affected the PRC property market. For example:

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

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

In response to the adverse change in the global economy and the real estate market in the PRC, we scaled back some of our original business expansion plans, and postponed the completion and development schedules of some of our projects. We also slowed the pace of our development schedules for certain projects held for future development and adjusted the selling prices of some of our properties downward.

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and Japan, and heightened market volatility in major stock markets. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. The trade war between the U.S. and other major economies, in particular, China, continues to escalate. On July 16, 2018, the U.S. and China imposed punitive import tariffs on US$34.0 billion worth of each other’s goods. A serious and protracted trade war will impact trade flows and global economy, and in turn, the purchasing power of our customers, which would have a material and adverse impact on our business, financial condition and results of operation. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our operating results fluctuate from period to period and the fluctuations make it difficult to predict our future performance

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB85,512.7 million, RMB111,517.0 million and RMB135,352.8 million (US$20,743.7 million), respectively, and the profit for the year was RMB12,310.9 million, RMB16,380.0 million and RMB19,462.5 million (US$2,982.8 million), respectively. We have derived our revenues principally from the sale of properties, hotel operations and the leasing of investment properties.

For the years ended December 31, 2018, 2019 and 2020, the sale of properties accounted for approximately 94.6%, 94.4%, and 93.2% respectively, of our revenue. Because we derive a significant portion of our revenue from the sale of properties, our results of operations are affected by the demand for our properties and the price at which we are able to sell them. The demand for and average selling price of our properties are in turn, to a large extent, affected by the general condition of the property market and the economy. These and other factors beyond our control (for example, availability of land for acquisition and cost of materials and construction) may lead to fluctuations in our revenue and profit from period to period, and make it difficult to predict our future financial performance.

In addition, we recognize proceeds from the sale of a property as revenue only upon the delivery of the property. In periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. Therefore, our revenue and profit during any given period may not be indicative of the actual demand for our properties or sales achieved during that period.

For the years ended December 31, 2018, 2019 and 2020, our hotel operating income and commercial properties operation income, in aggregate, were RMB2,998.7 million, RMB3,525.0 million and RMB2,985.5 million (US$457.5 million), respectively, and accounted for approximately 3.5%, 3.2% and 2.2%, respectively, of our revenue. We believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues.

Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various 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 confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect 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. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, results of operations and financial condition.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. We cannot assure you that these losses would not exceed any deposits that may have been made in respect of the pre-sold units. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA originally indicated in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

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

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, if at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, 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 may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. In addition, failure to complete a property development according to its original specifications or schedule, if at all, may give rise to potential liabilities and, as a result, our return on investments may be lower than originally expected.

We may have to bear the resettlement or similar costs associated with our development properties

We purchase land from both the PRC government and private entities. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with the owners of properties on such land to be demolished to provide for compensation for relocation and resettlement costs. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of the land to us, in whole or in part, and may require an increase in the fees payable in connection with the resettlement process.

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

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit 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 after receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any other reason beyond our control.

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

We arrange for various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. Substantially all of these guarantees are discharged upon earlier of (i) the issuance of the property ownership certificate, which generally takes place within 90 days after we deliver possession of the relevant property to the purchaser, and (ii) the settlement of mortgage loans between banks and purchasers of our properties. 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 mortgagee banks. As of December 31, 2018, 2019 and 2020, our outstanding guarantees over mortgage loans of our customers amounted to RMB18,174.8 million, RMB19,119.5 million and RMB24,376.4 million (US$3,735.8 million), respectively. Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

The hotel industry is dependent on the levels of business and leisure travel, demand for and supply of hotel rooms and other factors

A number of factors, many of which are common to the hotel industry and are beyond our control, could affect our business, including the following:

- adverse development in general economic conditions;
- dependence on business, commercial and leisure travelers and tourism;
- dependence on meeting and conference business;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;
- increased competition and periodic local oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;

- increases in operating costs due to inflation, labor costs (including the impact of unionization), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;

- seasonality in travel patterns;

- changes in interest rates and in the availability, cost and terms of debt financing; and

- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

These factors could have a material adverse effect on our hotel operations, which in turn will affect our financial condition and results of operations.

We incur significant construction and capital expenditures for development and renovation of investment properties and hotels and certain fixed costs in relation to hotel and rental property operations

Unlike properties developed for sale which can be pre-sold (subject to applicable PRC laws relating to pre-sales) to finance other property developments, our investment properties and hotels require significant upfront capital expenditures but generate no cash inflow until the development has been completed and the hotel operation or the lease with respect to the relevant investment properties commences. In addition, our existing investment properties and hotels, and all of our future investment properties and hotels, will require continuing capital expenditures associated with renovations and other capital improvements, some of which are mandated by health, safety or other regulations or by the hotel management partners. The cost of construction and capital improvements could have a material adverse effect on our business, financial condition and results of operations.

The fixed costs associated with owning hotels and investment properties, including rental property operating and maintenance expenses, hotel operating and maintenance expenses, taxes, other fees and payments, may be significant. There may not be sufficient and consistent market demand for hotels and rental properties in our target markets. We may be unable to reduce the fixed costs in a timely manner in response to a decline in demand for our hotel services or investment properties for rental, and any failure to adjust our fixed costs may adversely affect our business, financial condition and results of operations. Moreover, our hotels and investment properties may be subject to increases in operating and other expenses due to adverse changes in contractual terms and increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could materially adversely affect our business, financial condition and results of operations.

We may not be able to generate adequate returns on our investment properties

The investment returns on our investment properties depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties, changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants, the costs resulting from periodic maintenance, repair and re-letting, as well as the general operating expenses incurred. Maximizing yields from investment properties also depends to a large extent on active ongoing management and maintenance of the properties. Our ability to eventually dispose of investment properties will be affected by market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. As many of these factors are beyond our control, we cannot assure you that we will generate adequate returns on our investment properties.

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

We reassess the fair value of our investment properties at every reported balance sheet date. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. Our valuations are based on current prices in an active market for similar properties or estimated by adopting income capitalization approach based on existing and current market rents for similar properties, using capitalization rates that reflect current market assessments of the uncertainty in the market. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized changes in fair values of investment properties and the relevant deferred tax in our consolidated income statements. For the years ended December 31, 2018, 2019 and 2020, we recognized fair value gains on our investment properties of RMB1,910.3 million, RMB2,335.3 million and RMB397.5 million (US$60.9 million), respectively.

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

Our results of operations may be affected by the performance and reputation of the hotel management partners that manage our hotels

Some of our hotels are managed by third-party hotel management partners pursuant to management agreements and other related agreements. Therefore, our results of operations may be affected by the performance of these hotel management partners, as well as any adverse publicity or other adverse developments that may affect these companies or their brands generally.

Under the terms of these management agreements, the third-party hotel management partners control the daily operations of our hotels. Although we monitor our hotel management partners' performance, we do not have the direct authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates or managing hotel operating staff). 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.

All revenue generated by our hotels, including credit card receivables, is paid into an operating account held by us, from which operating and other expenses for the relevant hotels (including certain taxes), management fees and deposits into any reserve funds required by the applicable management agreement are drawn. In addition, in the event that we wish to replace any of our management partners, we may be unable to do so under the terms of our management agreements or we may need to pay substantial termination fees and may experience disruptions at the affected hotels. The effectiveness and performance of the hotel management partners in managing our hotels will, therefore, significantly affect the revenue, expenses and value of our hotels.

Our hotel management partners and our anchor tenants may have interests that are not aligned with our objectives for our hotels and investment properties

Our hotel management partners and anchor tenants that rent and operate the retail units owned by us have non-exclusive arrangements with us and may own, operate or franchise other properties, including the properties that may compete with the properties owned by us. Therefore, the hotel management partners and our anchor retail tenants may have interests that differ from with our interests with respect to short-term or long-term goals and objectives. To the extent the interests of our hotel management partners and anchor retail tenants conflict with our interests, the operation of our hotel and retail properties can be disadvantaged and harmed.

Our financing costs are affected by changes in interest rates

Our financing costs and as a result, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. The PBOC benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2018, 2019 and 2020 were 4.35%. The PBOC may raise lending rates in the future, in which case our business, financial condition and results of operations will be adversely affected as a result. We are also exposed to fluctuations in the Hong Kong Interbank Offered Rate (“HIBOR”) and the London Interbank Offered Rate (“LIBOR”), to which the interest rate for some of our borrowings, including offshore loan facilities with various banks, are linked. For details on such indebtedness, see “Description of Other Material Indebtedness.” Higher interest rates may increase our finance costs, and our business, financial condition and results of operations could be adversely affected. As of December 31 2020, we had RMB145.1 billion (US$22.2 billion) of outstanding borrowings (including the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, and various offshore facilities), and the effective interest rate on our outstanding borrowings was approximately 5.5%. Our interest expenses on the total borrowings for the years ended December 31, 2018, 2019 and 2020 were RMB6,899.1 million, RMB8,765.9 million and RMB9,371.7 million (US$1,436.3 million), respectively.

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

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates, supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees to our hotel management partners or our anchor retail tenants.

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

Our Chairman, Mr. Hui Wing Mau, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of December 31, 2020, 64.99% of our outstanding shares were beneficially owned by Mr. Hui Wing Mau. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Hui Wing Mau is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In addition, Mr. Hui Wing Mau owns a number of private companies based in the PRC and Hong Kong (collectively, the "Private Group"). Under the present contractual non-competition undertaking arrangement, subject to certain exceptions, the Private Group is not permitted to undertake any business that competes with us in the PRC, except for the existing projects undertaken by the Private Group as of October 27, 2007. See "Related Party Transactions—Non-competition Undertaking." Furthermore, being our Chairman, Mr. Hui Wing Mau is able to exercise substantial control over our business. In particular, the strategic goals and interests of Mr. Hui Wing Mau may not be aligned with our strategy and interests of those of the holders of the Notes, and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

A deterioration in our brand image could adversely affect our business

We regard the "Shimao" brand name and the related trademarks and devices we use as important assets to our business. Any negative incident or negative publicity concerning us, our business partners (including other projects of our business partners), our acquired projects or our property developments could adversely affect our brand image, reputation and business, and could undermine the confidence of customers and investors in us. Brand value is based largely on subjective consumer perceptions and can be damaged even by isolated incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner. In addition, any unauthorized use or infringement of our brand name may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

Our success depends on the continued service of our Chairman, Mr. Hui Wing Mau, and continued efforts of other management and key personnel

We depend on the continued service of our Chairman, Mr. Hui Wing Mau. He has over 31 years of experience in the property development, property investment and hotel operation and in-depth knowledge of the PRC real estate industry, strategic planning and business management. If we lose the services of Mr. Hui Wing Mau, our business could be adversely affected.

In the PRC real estate industry, competition for senior management and key personnel is intensive while the pool of qualified candidates is very limited, and we cannot assure you that any member of senior management or other key personnel is willing or able to continue in his or her present position or that we will be able to find and hire a suitable replacement, or if he or she is recruited by a competitor or departs to start a competing business. Moreover, along with our growth and expansion into other regional markets in the PRC, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

Disputes with joint venture partners may adversely affect our business

We have, and expect to have in the future, interests in PRC joint venture entities in connection with our property development plans. We do not have control of the board of directors of certain joint venture companies, and therefore we do not have the right to control the management of the relevant joint venture companies. A deterioration in our relationship with the other joint venture partners could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, in accordance with PRC law, certain matters relating to a sino-foreign joint venture require the consent of all parties to the joint venture. PRC joint ventures may involve risks associated with the possibility that our joint venture partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements; or
- have financial difficulties.

Furthermore, any actual or perceived deterioration in the reputation of our joint venture partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention.

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See "—We have been and may continue to be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities or suffer damage to our reputation as a result." In addition, even if a jointly developed project is successfully completed, the project may not be well received by the market and we may not realize all the benefits we anticipated.

We cannot assure you that we will not encounter any of the foregoing problems with respect to our joint venture partners or project development partners. Our capital contributions to the joint development projects may not be offset by revenues or other benefits from such projects. Furthermore, we cannot assure you that properties in our joint development projects will be well received by the market. If our joint venture entities experience any delay or difficulty in the development of the projects due to any of the above factors or if the projects are not as well received by the market as anticipated, there could be a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by the performance of independent contractors

In line with industry practice, we engage independent contractors to provide various property development services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We select independent contractors through open tenders. We typically invite contractors to tender bids based on their reputation for quality, track record, price and references, and once a contract is awarded, we supervise the construction progress. However, we cannot assure you that the services rendered by any of these independent contractors or subcontractors will be completed in a timely manner or be of satisfactory quality. If the performance of any independent contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the work and the whole project. In addition, we are expanding our business into other regional markets in China, and there may be a shortage of contractors that meet our quality requirements in such markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of the above factors could have a material and adverse effect on our reputation, business, results of operations and financial condition.

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

A significant component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement. The purchase cost for construction materials are generally accounted for as part of the contractor fees pursuant to our arrangements with the relevant contractors. 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 existing construction contracts to top up payment to, or receive refunds from, the contractors, depending on the price movement. In addition, as we typically pre-sell our properties prior to their completion, we may not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. As such, our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries

We are a holding company that is financially dependent on distributions from our subsidiaries and our business operations are principally conducted through our PRC subsidiaries. Prior to December 31, 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiaries, were exempt from PRC withholding tax. The Enterprise Income Tax Law ("EIT Law") and the implementation regulations to the EIT Law issued by the PRC state council, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. Pursuant to the Arrangement Between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong may be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary, although as described below there is uncertainty under a State Administration of Taxation circular regarding whether certain intermediate Hong Kong holding companies will be eligible for benefits under this arrangement. Many of our PRC subsidiaries are currently wholly owned by Hong Kong subsidiaries. In accordance with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019, and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration. However, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that we are eligible for the benefits under this arrangement.

There can be no assurance that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

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

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2018, 2019 and 2020, LAT charged to our income tax expense was RMB4,537.9 million, RMB5,644.8 million and RMB6,630.9 million (US$1,016.2 million), respectively. For the same periods, we made payments for provisional LAT in the amount of RMB7,225.5 million, RMB8,329.9 million and RMB10,018.4 million (US$1,535.4 million), respectively. Our LAT provision balance as of December 31, 2018, 2019 and 2020 totaled RMB7,874.7 million, RMB10,481.6 million and RMB13,864.2 million (US$2,124.8 million), respectively. Our LAT provisions are based on our estimate of the portion of our apartment units and residential parts of our combined-use buildings that are eligible for the exemption available to ordinary residential properties. We cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT obligations. In the event that the tax authorities assess us with additional LAT and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. We cannot assure you that the LAT obligations we are to assess and provide for in respect of the properties that we develop will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Effective February 1, 2007, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知), which 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 the 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

- the land-use rights of the project are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if one 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.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties as to how they will enforce this notice. On May 12, 2009, the State Administration of Taxation issued the Provisions on Administration of the Settlement of Land Appreciation Tax (土地增值稅清算管理規程), which became effective on June 1, 2009 and stipulates in detail the procedures for settlement of LAT and methods of calculating LAT. Furthermore, on May 25, 2010, the State Administration of Taxation published the Circular on Strengthening the Collection and Administration of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) (the "SAT Circular"). According to the SAT Circular, all local governments were required to make adjustments to the then prevailing provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in the middle and northeastern regions shall not be lower than 1.5% and the provinces in the western region shall not be lower than 1%; and the local governments may determine the provisional LAT rate applicable to different types of real estate. Pursuant to the Circular on Value-Added Tax Policies for Financial, Real Estate Development, Education Ancillary Service and Other Services (關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知), which became effective on May 1, 2016, except for choosing the simplified tax method, when the general taxpayer sells real estate project developed by itself, the compensation for demolition paid to other companies or individuals upon land acquisition is permitted to be deducted for the purpose of calculation the sales income. Besides, if a real estate developer establishes a project company to develop the granted land after paying the land premium, the project company, for the purpose of calculation the sales income, may deduct the land premium that has be paid by the real estate developer if fulfilling the relevant requirements of changing the grantee of the land use right.

In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT, our cashflow may be materially and adversely affected. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Selected Income Statement Items—Income Tax Expenses."

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, 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. However, we do not have the exclusive right to acquire the land use rights. We also do not control the timing of the sale of the land use rights in respect of 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. We cannot assure you that we will win bids in a timely manner or at all; nor can we assure you that the relevant land authorities 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 right sales. Furthermore, the PRC State Council on January 3, 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 new requirement may limit our ability to participate in such land clearance work in the future. We cannot assure you that the PRC government will not issue any additional laws or regulations revoking the land clearance agreements that we have entered into with the local governments.

Our land use rights may be subject to forfeiture by the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a 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 use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government, unless the delay in development is caused by government actions or force majeure. Moreover, even if the time of commencement of the land development is in line with the land grant contract, 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) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

As of the date of this offering memorandum, we have not commenced the construction work for a few of our projects as required by the relevant land grant contracts. We may be subject to idle land fees or forfeiture as the delays in construction work with respect to certain parcels of project land were due to the failure to complete the requisite demolition works by the local governments or other governmental reasons. For example, two parcels of land owned by our subsidiary, Pingtan Straits Ruyi City Development Construction Co., Ltd., were deemed as idle land by local Land and Resources Bureau and in December 2016, we received notices in respect of these two idle land imposing penalties of a total amount of RMB18.86 million. As of the date of this offering memorandum, we had paid such penalties to relevant authorities against such penalties. However, there is no assurance that our objection will be successful. We cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties could have a material and adverse effect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred in connection with such land.

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

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

Each of the CBRC and PBOC in recent years has issued regulations on, among others, the minimum interest rate, down payment and minimum interest for mortgage loans, and the highest ratio between the banking financial institutions' outstanding individual housing loans and total RMB loans. In the event that mortgage loans for property purchases becomes more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on such financing may not be able to purchase our properties, which in turn will materially and adversely affect our business, financial condition and results of operations.

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

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 the value of our properties.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as the nature of the adjoining properties. Environmental laws and conditions, may cause us to incur substantial compliance and other costs and can prohibit, delay, or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit the environmental impact documents, issue orders to suspend construction and impose a penalty amounting up to 5% of the total investment amount for each of our projects for which approval of the environmental impact assessment document has not been granted prior to the commencement of construction. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. We have completed the construction of the relevant properties. However, we cannot assure you that the local authorities will not impose a penalty upon us with respect to these projects due to the lack of such environmental impact documents or that an environmental investigation with respect to these projects in the future would not reveal material environmental liabilities.

In addition, PRC law requires environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our residential and hotel property projects have environmental facilities that are subject to this requirement. If we fail to comply with such requirement, the local environmental authorities may order us to suspend the construction or use of such facilities, which may disrupt our operations and adversely affect our business. The authorities may also impose on us a fine of up to RMB100,000 per breach in respect of such projects. We cannot assure you that we can obtain such approvals in a timely manner, or at all. In the event that such completion approvals cannot be obtained or if fines are imposed on us, our business, results of operations and financial condition may be materially and adversely affected.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against potential losses or damages with respect to our properties under development other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements. We believe that such liabilities should be borne by construction companies. In addition, we do not carry insurance for any liability arising from tortious acts committed or alleged to have been committed on work sites. We cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, war, civil unrest and certain other events of force majeure. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

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

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

We have been and may continue to be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant penalties or liabilities or suffer damage to our reputation as a result

We have been and may continue to be involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, joint venture partners and property purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the diversion of resources and management's attention. As many of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we have acquired or are in the process of acquiring project companies from third parties and certain project companies are involved in ongoing disputes or litigations. These disputes and legal and other proceedings may materially and adversely affect our reputation and our business, results of operations and financial condition. See "Business—Legal Proceedings."

In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative penalties, administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. For example, in June 2017, Shanghai Stock Exchange issued a notice to pay regulatory attention to Shanghai Shimao, Mr. Hui in his capacity as the actual controller of Shanghai Shimao, and Yu Feng, Company Secretary of Shanghai Shimao in respect of the deemed non-compliance by Mr. Hui of the non-competition undertaking to Shanghai Shimao as well as the delayed disclosure of the aforesaid situations. If we, our executive officers or other agents fail to comply with any applicable laws or regulations, including the PRC or other applicable anti-corruption laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

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

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 May 23, 2007, the MOFCOM and the 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 the MOFCOM through a filing made by the local authorities; and

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

In addition, on November 22, 2010, the 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, among other things, provides that where a real estate enterprise is established within the PRC with foreign capital, it is prohibited to purchase and/or sell real estate properties, completed or under construction, within the PRC for arbitrage purposes. The local MOFCOM authorities shall not approve investment companies to engage in real estate development and management.

According to the Guide for Foreign Debt Registration Management (外債登記管理操作指引) promulgated in April 2013, for foreign-invested real estate enterprises established on or before June 1, 2007, SAFE could process such enterprises' foreign debt registration in an amount not exceeding the difference between the total investment in such enterprise and its registered capital; for those established after June 1, 2007, SAFE refuses any registration for entering into foreign debts; for those who fail to pay up their registered capital or obtain land use rights certificates, or if such companies fund less than 35% of the total investment amount of a development project, such enterprises are not permitted to borrow foreign debt and SAFE shall reject any registration for entering into foreign debt.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Adjusting Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資準入和管理有關政策的通知) which provides, among others, that (i) the ratio of registered capital to total investment of foreign invested real estate enterprises shall be subject to the Tentative Regulations on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (關於中外合資經營企業注冊資本與投資總額比例的暫行規定); (ii) the requirement that a foreign invested real estate company must fully pay its registered capital before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans shall be canceled; (iii) the branches and representative offices of foreign institutions established in China (except the enterprises that are approved to operate real estate businesses) and the foreign individuals who work or study in China may purchase commodity houses for the purposes of self-use or living.

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 operations.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchaser or our respective advisers

Facts and statistics in this offering memorandum relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchaser or our or their respective advisers 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.

We benefit from government grants which may be withdrawn

Certain of our subsidiaries, including Shanghai Rongcheng Enterprises Management Co., Ltd., Mudanjiang Dewei Construction Materials Trading Co., Ltd., Mudanjiang Ruizhi Marketing Planning Co., Ltd., Le Royal Méridien Shanghai and Suzhou Shimao Investment Development Co., Ltd. have received incentive grants from relevant government authorities in respect of the business operated by our Group in various areas. These government grants are given to encourage the furtherance of our business. For the years ended December 31, 2018, 2019 and 2020, we received government grants of RMB100.2 million, RMB59.8 million and RMB218.6 million (US$33.5 million), respectively. Governmental grants are one-off, non-recurrent payments and vary according to local governmental policies. The amounts granted were determined and paid at the sole discretion of respective government authorities. The PRC State Council and the Ministry of Finance issued circulars on November 2014 and December 2014, respectively, to clean up and standardize preferential policies provided by PRC local governments. The circulars provide that, without the approval of the PRC State Council, no PRC local government and authority may provide fiscal preferential policies for enterprises, and the implementation of all preferential policies which violate laws and regulations shall be ceased as of December 1, 2014. We cannot assure you that the amount of subsidies granted to us in the past will be paid in any future period. In the event that we are no longer eligible for such grants for any reason, including if we fail to comply with the conditions imposed on such grants, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

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

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China, including Shanghai and Beijing, in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Shanghai and Beijing therein have experienced rapid and significant growth. In recent years however, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in "—Risks Relating to Our Business—The global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, our business."

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicality, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

The PRC government may adopt further measures to cool down the overheating of the property sector

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

In the second half of 2008 and 2009, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. These policies may not necessarily have a positive effect on our operations and our future business development. Starting from late 2009, the PRC government has revised or terminated such favorable policies according to changes in market conditions and adopted certain new policies to cool down the property market, including, without limitation:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;

- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers;

- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties;

- launching new property tax schemes in certain cities such as Chongqing and Shanghai on a trial basis, levying property tax on part of individual residential properties in these two cities;

- levying business tax, which was replaced by value-added tax since May 1, 2016, on the full amount of the transfer price if an individual owner transfers a residential property within five years of purchase in certain cities;

- urging provincial governments to implement home purchase restrictions to control property prices, listing certain criteria for the implementation of the restrictions, and, in the second half of 2011, extending such home purchase restrictions to certain second-and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures;

- strictly enforcing the idle land related law and regulations; and

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

See "—Risks Relating to Our Business—We are dependent on the performance of the PRC property market."

These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not reinstate property-purchase or other limitations that have been removed or adopt additional and more stringent measures, which could further slowdown property development in China. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Property development in the PRC is still at an early stage and lacks adequate infrastructural support

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC, particularly in Shanghai and Beijing, has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

Limited availability of accurate financial and market information and the general low level of transparency in China contribute to overall uncertainty. Purchasers and investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

Furthermore, 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 results of operations will be adversely affected.

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are 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 the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US$200 billion worth of Chinese goods. In return, the PRC responded with tariffs on US$60 billion of U.S. goods. On May 10, 2019, the United States officially increased the 10% tariffs on U$200 billion of Chinese goods to 25%. In turn, the PRC raised tariffs on U$60 billion of U.S. goods from June 1, 2019. On September 1, 2019, the U.S. implemented further tariffs on more than U$125 billion worth of Chinese goods. On September 2, 2019, China lodged a complaint in the World Trade Organization against the U.S. over the import tariffs. On January 15, 2020, China and U.S. reached an agreement on a Phase One trade deal. However, the amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

In addition, demand for and sales of our properties and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in political or 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.

The PRC national economy and economies in different regions of the PRC 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 PRC, in particular, in regions where our property development projects are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives and injury and destruction of assets in the region. In April 2013, another earthquake and aftershocks struck Sichuan province again and the epicenter was approximately 100 kilometers from Chengdu. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China.

Most recently, a highly infectious and COVID-19 quickly spread across China in early 2020. As of the date of this offering memorandum, the COVID-19 pandemic has spread to more than 200 countries and regions globally. Several cities in China where we have land bank and business operations have been under lockdown and facing travel and other restrictions in efforts to curb the spread of COVID-19. As a result, sales offices and construction of certain of our property development projects and our sales activities were temporarily suspended and supply of our raw materials and equipment were negatively affected. In addition, due to above-mentioned restrictions, the productivity of our employees was adversely affected. Therefore, the completion of our property development projects may be delayed and sales might be lower than expected, which may, have negative impact on our business operations, profitability and cash flows. Moreover, it is possible for the local authorities to impose additional restrictions to further contain the spread of the COVID-19, which may have further adverse impact on the above-mentioned consequences and result in the worsening of the general economic and social conditions of relevant regions or cities. Recently, the precautionary measures within China have been gradually lifted by relevant governmental authorities, including Hubei province. However, as the outbreak in other countries around the world persists, we cannot assure you that similar measures will not be adopted in China again, including Hubei province or any other regions or cities to prevent or control the transmission of COVID-19. It is also possible that customers who have entered into sales contracts with us to purchase properties could default on their mortgage or payments if the general economic situation further deteriorates as a result of the epidemic. 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 the extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected.

A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 or H7N9 avian flu, Ebola, the human swine flu or the ongoing COVID-19 virus outbreak especially in the cities where we have operations, 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 operations. In addition, the outbreak of communicable diseases, such as the COVID-19 virus outbreak, on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. The COVID-19 virus outbreak has resulted in travel restrictions and prolonged closures of relevant workplaces, which may have a material adverse effect on the global economy and financial markets. As the Chinese economy is an integral part of the global one, any material changes and developments in the global financial markets may materially and adversely affect the Chinese market conditions and in turn, our business, financial condition and results of operations.

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. On January 18, 2019, the Supreme People's Court and the Department of Justice of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), providing for the reciprocal recognition and enforcement of judgments of courts with each other. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United Kingdom, Japan or many other countries. As a result, recognition and enforcement in China of judgments of a court in any of the other non-PRC jurisdictions may be difficult and uncertain.

RISKS RELATING TO THE NOTES

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

Whilst we have agreed to certain obligations relating to reporting and use of proceeds as described under this offering memorandum titled "Notes Being Issued As Green Bonds", it will not constitute a covenant or undertaking under the terms of the Notes if we were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes, in the manner specified in this offering memorandum. Any failure to use the net proceeds of the issue of the Notes in connection with green projects and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes are included in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by us or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

Neither do we nor the Joint Lead Managers make any representation as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used to finance and/or refinance Eligible Green Projects, or (iii) the characteristics of Eligible Green Projects, including their environmental and sustainability criteria. Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the section headed "Notes Being Issued As Green Bonds" of this offering memorandum and determine for itself the relevance of the information contained in this offering memorandum regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary. For the avoidance of doubt, the contents of the Green Finance Framework do not form part of this offering document and is not incorporated by reference in it.

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by any of our subsidiaries under the terms of the Indentures. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through certain other subsidiaries.

Creditors, including trade creditors of our PRC subsidiaries and other Restricted Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Restricted Subsidiaries assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our subsidiaries, and all claims of creditors of our subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2020, our PRC subsidiaries had current and non-current borrowings in the amount of RMB60,106.9 million (US$9,211.8 million) and capital commitment and contingent liabilities arising from guarantees of RMB94,305.5 million (US$14,453.0 million). The Notes and the Indentures do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors would have priority as to our assets securing the related obligations over claims of holders of the Notes.

In addition, creditors of all our subsidiaries and any holders of preferred shares in our subsidiaries, would have a claim over our subsidiaries' assets that would be prior to the claims of holders of the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total outstanding senior notes, as of December 31, 2018, 2019 and 2020 were RMB25,402.8 million, RMB32,052.2 million and RMB32,136.2 million (US$4,925.1 million), respectively. As of December 31, 2020, our total borrowings included in non-current liabilities and current liabilities were RMB108,602.3 million (US$16,644.0 million) and RMB36,540.8 million (US$5,600.1 million), respectively. We incurred further indebtedness after December 31, 2020, including the January 2021 Notes and the April 2021 Notes. See "Description of Other Material Indebtedness."

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

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;

- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;

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

- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the indentures governing the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See "—The ratings assigned to the Notes may be lowered or withdrawn in the future."

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 an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In practice, our PRC subsidiaries may pay dividends once or twice a year. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%, subject to prior approvals from competent local tax authorities. In addition, some of our PRC subsidiaries are subject to certain restrictions on dividend distribution under their loan agreements with the relevant banks. See "Description of Other Material Indebtedness—Project Loan Agreements—Dividend Restrictions." As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Notes and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

The Renminbi is not a freely convertible currency

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar and Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover twenty provinces and cities in China and to make Renminbi trade and other current account item settlement available in all countries worldwide. On December 3, 2013, the MOFCOM promulgated the Announcement on Issues Concerning Cross-border RMB Direct Investment (Announcement of the Ministry of Commerce [2013] No. 87) 《(關於跨境人民幣直接投資有關問題的公告》商務部公告2013年第87號) (the "MOFCOM Announcement") to further facilitate Renminbi inbound direct investments by foreign investors. On October 13, 2011, the PBOC promulgated the Administrative Measures on Settlement of Cross-Border Renminbi Direct Investment (PBOC Announcement 2011 No. 23) (《外商直接投資人民幣結算業務管理辦法》中國人民銀行公告[2011] 23號) (the "PBOC Measures") and amended in 2015 to set forth rules for settlements of Renminbi inbound direct investments. The MOFCOM Announcement and the PBOC Measures provide more detailed rules for cross-border Renminbi direct investments and settlements. We cannot assure you whether the relevant PRC authorities will adopt any other new regulations or rules to loosen or further strengthen the administration on the remittance of Renminbi for foreign direct investments.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was widened to 1.0% on April 16, 2012 and revised to 2.0% on March 17, 2014. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

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

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

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the 2023 Notes" and "Description of the 2027 Notes."

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

In addition, the definition of Change of Control Triggering Event for purposes of the Indentures governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indentures governing the Notes also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

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

If we are unable to comply with the restrictions and covenants in our debt agreements, including the indentures governing the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes, the April 2021 Notes and the Notes, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated

If we are unable to comply with the restrictions and covenants in the indentures governing the Notes, or our current or future debt obligations and other agreements (including the indentures governing the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes, the April 2021 Notes and the Notes), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the indentures governing the Notes, the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the Notes, the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes, or result in a default under our other debt agreements, including the indentures governing the Notes, the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes, the April 2021 Notes and other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The indentures governing the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes, the April 2021 Notes and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our subsidiaries, to:

- create liens;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

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

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

The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future

The Notes are expected to be rated BBB- by Fitch Ratings. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a long-term corporate credit rating of BBB- with a stable outlook by Standard and Poor's Rating Services, a corporate family rating of Ba1 with a positive outlook by Moody's Investors Service and a long-term foreign currency issuer default rating of BBB- with a stable outlook by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings on the Notes or our corporate credit rating will remain for any given period of time or that a rating will not be lowered, put on negative outlook or CreditWatch negative or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant, including as a result of the incurrence of further debt. We have no obligation to inform holders of the Notes of any such revision, downgrade, negative outlook, CreditWatch negative or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

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

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

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

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

Under the EIT Law we may be classified as a "resident enterprise" of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes

Under the EIT Law, an enterprise established outside of China with "de facto management organization" located within China will be considered a "resident enterprise" in the PRC and consequently will be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, no definition of "management body" has been provided for enterprises established offshore by individuals or foreign enterprises such as our Company. Therefore, it is uncertain whether we will be deemed as a PRC "resident enterprise" for the purposes of the EIT Law. If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income from sources outside the PRC, such as income from any investment outside the PRC of any portion of the offering proceeds, would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands.

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

Under the EIT Law, if we are deemed as a "resident enterprise" in the PRC, PRC withholding tax at the rate of 10% (or lower treaty rate, if any) might be applicable to interest paid by us to investors that are "non-resident enterprises" if such "non-resident enterprise" investors do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by "non-resident enterprise" investors would be subject to a 10% PRC tax if we were treated as a PRC "resident enterprise" and such gain is regarded as income derived from sources within China. In the case of "non-resident individual" investors, the PRC income tax on interest and gains may be imposed at a rate of 20% (or lower treaty rate, if any). If we were a PRC "resident enterprise" and were required under the EIT Law to withhold PRC income tax on interest payable to our Note holders, we would be required to, subject to certain exceptions, pay such additional amounts as would result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise"

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the 2023 Notes—Redemption for Taxation Reasons" and "Description of the 2027 Notes—Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation or the stating of an official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

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

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US$1,036.0 million, which we plan to use outside the PRC to refinance our existing mid- to long-term offshore bonds due within one year. Subject to the foregoing, we plan to use an amount equal to the net proceeds from the offering of the 2027 Notes to finance or refinance, in whole or in part, Eligible Green Projects in accordance with our Green Finance Framework.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the 2023 Notes—Definitions" and "Description of the 2027 Notes—Definitions," as the case may be.

NOTES BEING ISSUED AS GREEN BONDS

PURPOSE

Our Green Finance Framework (the "GFF") has been developed to demonstrate how we will enter into Green financing transactions ("GFT") to fund new and existing projects and businesses with environmental benefits in alignment with the ICMA Green Bond Principles 2018 ("GBP"). Our GFF is made public on our website.

ASSERTIONS FROM MANAGEMENT

For each Green Bond issued, we assert that it will adopt: (1) use of proceeds; (2) process for project evaluation and selection; (3) management of proceeds, and (4) reporting, as set out in our GFF.

1. Use of Proceeds

An equal amount to the net proceeds of each Green Bond will be used to fund or refinance, in whole in part, new or existing "Eligible Green Projects". "Eligible Green Projects" refer to projects that provide clear environmental and sustainability benefits recognized by the GBP.

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

a. Green Buildings: projects involving at least one of the following features:

   - Acquisition, construction or refurbishment of buildings which meet one or more recognised standards, such as:

     – U.S. Leadership in Energy and Environmental Design (LEED): minimum 'Gold'; or

     – Building Research Establishment Environmental Assessment Method (BREEAM): minimum 'Excellent'; or

     – Building Environmental Assessment Method (BEAM Plus): minimum 'Gold'; or

     – Chinese Green Building Evaluation Label: minimum '2-Star'; or

     – Any other appropriate green building label, that is an equivalent standard as the above;

b. Renewable Energy: New or existing investments in or expenditures on renewable energy production units. Renewable energy and energy storage projects can include solar, wind, geothermal ≤100g CO_2e/kWh and air-to-water heat pump projects

c. Energy Efficiency: Upgrades of facilities/equipment (e.g. LED lighting system, air conditioning system, fresh air supply system) or adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to achieve certain energy saving targets. Efficiency projects shall result in at least 15% improvement in energy efficiency when compared to relevant baseline

d. Pollution Prevention and Control:

- Recycling facilities installed in commercial and residential buildings

- Installation of system and/or equipment that are used to mitigate environmental pollution (e.g. dust, noise, water) during the construction and/or operation of buildings

e. Sustainable Water Management: projects which construct, develop, install, operate and maintain infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater

f. Clean Transportation: Installation of electric vehicle charging stations for electric vehicles

2. Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. A Sustainability Taskforce has been set up, composed of the senior members including Chief Financial Officer and representatives from various departments including Finance & Investor Relations Department, Operation Management Center, Development & Design Center and regional offices.

3. Management of Proceeds

We intend to allocate, over time, an amount equal the net proceeds to finance or refinance Eligible Green Projects, selected in accordance with the eligibility criteria, and using the evaluation and selection process outlined above.

The net proceeds from each GFT will be managed by our finance team and the proceeds from each GFT will be deposited in general funding accounts and will be earmarked to Eligible Green Projects. We will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information:

a. Type of funding transaction, including details such as issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

b. Allocation of use of proceeds, including name, description and green certification of Eligible Green Projects to which the proceeds of the GFT have been allocated in accordance with this Framework, amount of proceeds allocated to each Eligible Green Project and the balance of unallocated proceeds.

Any balance of issuance proceeds which are not yet allocated to Eligible Green Projects will be held in accordance with our liquidity guidelines for short term time deposits or investments.

4. Reporting

We will provide information on the allocation of the net proceeds of outstanding Green Bond in our Annual Report, Sustainability Report or website. Such information will be provided on an annual basis until all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

a. Allocation Reporting: We will provide below information for the net proceeds of Green Bonds during the period:

- Details of each GFT that is outstanding
- Aggregate amount of proceeds from each GFT that has been allocated to Eligible Green Projects
- Share of financing vs refinancing
- Balance of unallocated proceeds from each GFT
- Examples of Eligible Green Projects (subject to confidentiality disclosures):

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

- Green Buildings: Number and type of certification of green buildings; Annual GHG emissions reduced/avoided (t CO2 eq p.a.); Annual energy savings (MWh p.a.)
- Energy Efficiency: Annual GHG emissions reduced/avoided (t CO2 eq p.a.); Annual energy savings (MWh p.a.)
- Pollution Prevention and Control: Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a.; Waste that is separated and/or collected, and treated (including composted) or disposed of in an environmentally sound manner before and after the project
- Sustainable Water and Wastewater Management: Annual absolute (gross) water use before and after the project in m3 p.a., reduction in water use in %; Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m3 p.a. and as %
- Renewable Energy: Annual GHG emissions reduced/avoided (t CO2 eq p.a.); Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy); Capacity of renewable energy plant(s) constructed or rehabilitated in MW
- Clean Transportation: Number of electric vehicle charging stations installed

We have engaged Sustainalytics to provide an External Review in the form of a Second Party Opinion on the Framework and to confirm the alignment with the GBP. For the avoidance of doubt, any such opinion is not and shall not be deemed to be incorporated into and/or form part of this Offering Memorandum. The External Review has been made public on our website at http://shimaogroup.hk/.

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including but not limited to making the Renminbi freely convertible in the future.

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

	Noon buying rate			
Period	**Period end**	**Average**(1)	**High**	**Low**
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
March	6.5518	6.5109	6.5716	6.4932
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August (through August 27, 2021)	6.4711	6.4782	6.5012	6.4608

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

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

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

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

	Noon buying rate			
Period	**Period end**	**Average(1)**	**High**	**Low**
	(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				
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July	7.7723	7.7705	7.7837	7.7651
August (through August 27, 2021)	7.7875	7.7835	7.7925	7.7735

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of December 31, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the January 2021 Notes, the April 2021 Notes, and the Notes in this offering, in each case, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with the offering. The following table should be read in conjunction with the selected consolidated financial information and related notes included in this offering memorandum.

	As of December 31, 2020			
	Actual		As adjusted	
	(RMB)	*(US$)* **(Unaudited)**	*(RMB)* **(Unaudited)**	*(US$)* **(Unaudited)**
	(in thousands)			
Cash and cash equivalents (excluding restricted cash)[(1)]	61,038,027	9,354,487	77,993,566	11,953,037
Current borrowings:[(2)(3)(4)]				
Short-term borrowings – secured	1,285,000	196,935	1,285,000	196,935
Short-term borrowings – unsecured	3,169,352	485,724	3,169,352	485,724
Current portion of senior notes	7,466,711	1,144,324	7,466,711	1,144,324
Current portion of medium-term notes	1,530,000	234,483	1,530,000	234,483
Current portion of domestic corporate bonds	4,738,620	726,225	4,738,620	726,225
Current portion of long-term borrowings	18,351,076	2,812,425	18,351,076	2,812,425
April 2021 Notes	–	–	4,551,514	697,550
Total current borrowings	36,540,759	5,600,116	41,092,273	6,297,666
Non-current borrowings:[(3)(4)(5)(14)]				
Long-term borrowings – secured[(6)]	46,782,998	7,169,808	46,782,998	7,169,808
Long-term borrowings – unsecured[(6)]	31,799,765	4,873,527	31,799,765	4,873,527
Senior notes – secured[(7)]	32,136,206	4,925,089	32,136,206	4,925,089
Medium-term notes – unsecured[(8)]	3,030,000	464,368	3,030,000	464,368
Long-term bonds[(9)]	21,201,123	3,249,214	21,201,123	3,249,214
Domestic corporate bonds[(10)]	4,738,620	726,225	4,738,620	726,225
Private placement notes[(11)]	1,000,000	153,257	1,000,000	153,257
January 2021 Notes	–	–	5,644,125	865,000
Notes to be issued[(12)]	–	–	6,759,900	1,036,000
Less: Amounts due within one year	(32,086,407)	(4,917,457)	(32,086,407)	(4,917,457)
Total non-current borrowings	108,602,305	16,644,031	121,006,330	18,545,031
Share capital	362,850	55,609	362,850	55,609
Reserves	87,639,210	13,431,297	87,639,210	13,431,297
Total equity attributable to our equity holders of the Company	88,002,060	13,486,906	88,002,060	13,486,906
Total capitalization[(13)]	196,604,365	30,130,937	209,008,390	32,031,937

Notes:

(1) As of December 31, 2020, cash and cash equivalents excluded restricted cash of RMB7,429.0 million (US$1,138.5 million). Restricted cash consists principally of guarantee deposits for the benefit of mortgage loan facilities granted by banks to the purchasers of properties and bank deposits pledged as collateral for the borrowings.

(2) Our current debt includes the current portion of long-term borrowings.

(3) As of December 31, 2020, our PRC subsidiaries had current and non-current borrowings in the amount of approximately RMB60,106.9 million (US$9,211.8 million).

(4) Our debt does not include any accrual for capital commitments or contingent liabilities. As of December 31, 2020, our consolidated capital commitments were RMB58,442.7 million (US$8,956.7 million) and our contingent liabilities, all of which were in the form of guarantees that we had provided to our customers in relation to their purchase of our properties, amounted to approximately RMB24,376.4 million (US$3,735.8 million), and guarantees that we have provided for the borrowings, amounted to RMB11,486.4 million (US$1,760.4 million).

(5) Non-current debt excludes current portion of long-term borrowings.

(6) Subsequent to December 31, 2020, we have from time to time entered into additional loan agreements to finance our property developments or for general corporate purposes in the ordinary course of business. As of June 30, 2021, we had bank borrowings and borrowings from other financial institutions of approximately RMB98,595.3 million (US$15,110.4 million). See "Description of Other Material Indebtedness." These changes in our borrowings and any repayments after December 31, 2020 have not been reflected in this capitalization table.

(7) We issued the July 2017 Notes, the January 2018 Notes, the October 2018 Notes, the December 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes and January 2021 Notes, among others. See "Description of Other Material Indebtedness" for details.

(8) On February 6, 2018, Shanghai Shimao issued medium-term notes with total principal of RMB800,000,000 at a fixed interest rate of 6.43% due on February 7, 2021. On March 6, 2018, Shanghai Shimao issued medium-term notes with total principal of RMB700,000,000 at a fixed interest rate of 6.33% due on March 8, 2021. On December 17, 2018, Shanghai Shimao issued medium-term notes with a total principal of RMB1,000,000,000 at a fixed interest rate of 5.00% due on December 17, 2020. Shanghai Shimao shall be entitled to adjust the interest rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part of medium-term notes. On December 17, 2020, Shanghai Shimao redeemed medium-term notes with total principal of RMB970,000,000 at a fixed interest rate of 5.00%. The total redemption price paid was RMB1,020,000,000, including the principal amount of RMB970,000,000 plus accrued and unpaid interest of RMB50,000,000. The remaining medium-term notes with total principal of RMB30,000,000 will be due on December 17, 2021 at a fixed interest rate of 4.50%. On October 21, 2019, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on December 17, 2022. On January 9, 2020, Shanghai Shimao issued medium-term notes with total principal of RMB500,000,000 at a fixed interest rate of 4.12% due on January 9, 2023.

(9) On October 15, 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on October 15, 2020. Shimao Jianshe shall be entitled to adjust the interest rate at the end of fifth year whereas the investors shall be entitled to sell back in whole or in part of long-term bonds. On October 16, 2020, Shimao Jianshe redeemed long-term bonds with total principal of RMB865,801,000 at a fixed interest rate of 4.15%. The remaining long-term bonds with total principal of RMB534,199,000 will be due on October 16, 2022 at a fixed interest rate of 4.15%.

On January 15, 2019, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 4.65% due on January 15, 2022. On March 19, 2019, Shanghai Shimao issued second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.64% due on March 19, 2022. On May 22, 2019, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.15% due on May 22, 2022.

On September 18, 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.30% due on September 18, 2022. On November 11, 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on November 11, 2024. On November 11, 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB900,000,000 at a fixed interest rate of 4.30% due on November 11, 2022.

On March 5, 2020, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.60% due on March 5, 2023. On July 8, 2020, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 3.76% due on July 8, 2022. On September 1, 2020, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.99% due on September 1, 2022. On September 24, 2020, Shanghai Shimao issued the fourth phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.94% due on September 24, 2022.

On March 25, 2020, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,700,000,000 at a fixed interest rate of 3.23% due on March 24, 2023 and RMB2,800,000,000 at a fixed interest rate of 3.90% due on March 25, 2025. On May 11, 2020, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB3,100,000,000 at a fixed interest rate of 3.20% due on May 11, 2023. On August 27, 2020, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB2,700,000,000 at a fixed interest rate of 3.90% due on August 27, 2023.

(10) On January 14, 2016, August 3, 2016, September 22, 2016 and September 22 2016, we issued domestic corporate bonds with total principal of RMB4,000,000,000, RMB540,000,000, RMB3,000,000,000 and RMB1,200,000,000 at a fixed interest rate of 4.8%, 4.3%, 3.9% and 4.1% due on January 14, 2021, August 3, 2021 and September 22, 2021, respectively.

(11) On January 20, 2020, Shanghai Shimao issued the first phase of private placement notes with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.50% due on January 19, 2023. On April 26, 2020, Shanghai Shimao issued the second phase of private placement notes with aggregate amount of RMB500,000,000 at a fixed interest rate of 3.70% due on April 25, 2023.

(12) In accordance with HKFRS, the Notes should be recorded at their fair value upon initial recognition, which may be substantially different from the aggregate principal amount of the Notes. For illustrative purposes only, the Notes have been recorded at their aggregate principal amount, without taking into account any issue discount or premium, and after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, in the "As adjusted" column of the table above.

(13) Total capitalization equals total non-current debt plus total equity attributable to our equity holders.

Since December 31, 2020, we have incurred, and will continue to incur, indebtedness (such as the January 2021 Notes, among others) from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2020. See "Description of Other Material Indebtedness."

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The selected consolidated income statement data for the years ended December 31, 2018, 2019 and 2020 and the selected consolidated balance sheet data as of December 31, 2018, 2019 and 2020 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for the years ended and as of December 31, 2019 and 2020, as audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, our independent auditor. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The Group has adopted HKFRS 16 "Leases" ("HKFRS 16") from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and adjustments arising from HKFRS 16 adoption are recognised in the opening balance sheet on January 1, 2019. Therefore, the audited consolidated financial statements for the year ended December 31, 2019 are not comparable to the consolidated financial statements for the year ended December 31, 2018. The impact of the adoption of HKFRS 16 is disclosed in Note 2 of the consolidated financial statements for the year ended December 31, 2019. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* **(Unaudited)**	*(RMB)*	*(US$)* **(Unaudited)**
	(in thousands, except percentages)				
Revenue	85,512,704	111,516,981	17,090,725	135,352,755	20,743,717
Cost of sales	(58,563,625)	(77,386,427)	(11,859,989)	(95,685,488)	(14,664,443)
Gross profit	26,949,079	34,130,554	5,230,736	39,667,267	6,079,274
Fair value gains on investment properties – net	1,910,251	2,335,257	357,894	397,539	60,926
Other income/other gains – net	297,280	351,639	53,891	1,029,335	157,752
Selling and marketing costs	(2,023,438)	(2,824,871)	(432,930)	(4,416,344)	(676,834)
Administrative expenses	(3,429,512)	(4,381,122)	(671,436)	(5,498,682)	(842,710)
(Provision for)/reversal of impairment losses on financial assets	25,529	(70,375)	(10,785)	(482,918)	(74,010)
Other operating expenses	(520,488)	(337,635)	(51,745)	(503,530)	(77,169)
Operating profit	23,208,701	29,203,447	4,475,625	30,192,667	4,627,229
Finance (costs)/income – net	(337,027)	(284,920)	(43,666)	3,315,459	508,116
Fair value changes of convertible redeemable shares of subsidiary	–	–	–	(75,860)	(11,626)
Share of results of associated companies and joint ventures accounted for using the equity method	(233,469)	96,825	14,839	159,320	24,417
Profit before income tax	22,638,205	29,015,352	4,446,798	33,591,586	5,148,136
Income tax expense	(10,327,273)	(12,635,387)	(1,936,458)	(14,129,120)	(2,165,382)
Profit for the year	12,310,932	16,379,965	2,510,340	19,462,466	2,982,754
Profit for the year attributable to equity holders of the Company	8,834,790	10,897,600	1,670,130	12,627,679	1,935,276
Other Financial Data (Unaudited)					
EBITDA(1)	25,981,267	32,468,483	4,976,014	36,506,881	5,594,925
EBITDA margin(2)	30.4%	29.1%	29.1%	27.0%	27.0%

Notes:

(1) EBITDA for any period consists of operating profit before fair value gains or losses on the investment properties and certain other special gains or expenses plus depreciation, amortization expenses and capitalized interest under cost of sales. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

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

	For the year ended December 31,				
	2018	**2019**		**2020**	
	(RMB)	*(RMB)*	*(US$)* **(Unaudited)**	*(RMB)*	*(US$)* **(Unaudited)**
			(in thousands)		
Operating profit for the year	23,208,701	29,203,447	4,475,625	30,192,667	4,627,229
Adjustments:					
Add:					
Capitalised interest recognised in cost of sales	4,104,972	4,870,868	746,493	6,297,797	965,180
Depreciation of property and equipment	585,515	732,951	112,330	753,067	115,413
Amortisation of land use rights	78,368	–	–	–	–
Amortisation of right-of-use assets	–	221,738	33,983	231,605	35,495
Less:					
Fair value gain on investment properties – net	1,910,251	2,335,257	357,894	397,539	60,926
Gains on disposal of subsidiaries with loss of control	15,207	41,153	6,307	33,302	5,104
Gain/(loss) on derivative financial instruments	11,278	40,288	6,174	(68,152)	(10,445)
Gain on disposal of investment in structured products issued by banks and other financial institution	19,558	–	–	–	–
Gain on acquisition of subsidiaries	1,814	143,823	22,042	400,302	61,349
Gains on deemed disposal of subsidiaries with loss of control	38,181	–	–	–	–
Gain arising from negative goodwill	–	–	–	205,264	31,458
EBITDA	25,981,267	32,468,483	4,976,014	36,506,881	5,594,925

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

Selected Consolidated Balance Sheet Data

	As of December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* **(Unaudited)**	*(RMB)*	*(US$)* **(Unaudited)**
			(in thousands)		
Non-current assets					
Right-of-use assets	–	8,217,754	1,259,426	8,316,268	1,274,524
Property and equipment	14,577,637	15,922,942	2,440,298	16,864,312	2,584,569
Investment properties	36,891,022	56,062,747	8,591,992	63,175,590	9,682,083
Land use rights	7,965,764	–	–	–	–
Intangible assets	1,840,658	2,009,346	307,946	3,826,812	586,485
Investments accounted for using the equity method	16,966,160	24,167,175	3,703,781	30,936,756	4,741,265
Associated companies	1,594,487	3,848,564	589,818	4,428,791	678,742
Joint ventures	15,371,673	20,318,611	3,113,963	26,507,965	4,062,523
Amounts due from related parties	1,589,737	1,440,840	220,818	1,978,774	303,260
Financial assets at fair value through other comprehensive income	981,680	988,995	151,570	1,974,946	302,674
Financial assets at fair value through profit or loss	176,727	179,637	27,531	168,016	25,750
Deferred income tax assets	2,806,563	3,055,128	468,219	3,231,065	495,182
Other non-current assets	4,952,069	5,483,634	840,404	3,722,189	570,450
	88,748,017	117,528,198	18,011,985	134,194,728	20,566,242
Current assets					
Inventories	192,689,769	234,467,515	35,933,719	313,787,270	48,090,003
Properties under development	170,840,408	206,833,967	31,698,692	279,870,078	42,891,966
Completed properties held for sale	21,849,361	27,633,548	4,235,027	33,917,192	5,198,037
Trade and other receivables and prepayments	19,922,877	18,732,702	2,870,912	21,387,554	3,277,786
Prepayment for acquisition of land use rights	6,321,397	13,651,351	2,092,161	13,483,055	2,066,369
Prepaid income taxes	3,715,789	4,407,190	675,431	4,452,805	682,422
Amounts due from related parties	16,609,749	22,981,077	3,522,004	33,978,392	5,207,416
Derivative financial instruments	12,468	63,004	9,656	2,337	358
Restricted cash	5,888,489	7,265,779	1,113,529	7,428,982	1,138,541
Cash and cash equivalents	43,688,296	52,357,251	8,024,100	61,038,027	9,354,487
	288,848,834	353,925,869	54,241,512	455,558,422	69,817,382
Current liabilities					
Trade and other payables	50,585,171	79,057,586	12,116,105	102,506,442	15,709,800
Contract liabilities	47,173,444	74,652,393	11,440,980	106,126,631	16,264,618
Income tax payable	20,595,196	25,216,120	3,864,539	30,480,635	4,671,362
Borrowings	31,306,474	36,781,947	5,637,080	36,540,759	5,600,116
Amounts due to related parties	38,234,642	41,502,443	6,360,528	44,371,171	6,800,179
Lease liabilities	–	139,939	21,447	37,495	5,746
Derivative financial instruments	–	–	–	33,114	5,075
	187,894,927	257,350,428	39,440,679	320,096,247	49,056,896

	As of December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* **(Unaudited)** *(in thousands)*	*(RMB)*	*(US$)* **(Unaudited)**
Net current assets	100,953,907	96,575,441	14,800,833	135,462,175	20,760,486
Total assets less current liabilities	189,701,924	214,103,639	32,812,818	269,656,903	41,326,728
Non-current liabilities					
Borrowings	77,825,292	89,773,388	13,758,374	108,602,305	16,644,031
Deferred income tax liabilities	6,596,455	7,533,056	1,154,491	8,520,394	1,305,808
Lease liabilities	–	93,009	14,254	39,452	6,046
	84,421,747	97,399,453	14,927,119	117,162,151	17,955,885
Equity					
Share capital	341,575	341,575	52,349	362,850	55,609
Reserves	58,892,631	65,913,306	10,101,656	87,639,210	13,431,297
	59,234,206	66,254,881	10,154,005	88,002,060	13,486,906
Non-controlling interests	46,045,971	50,449,305	7,731,694	64,492,692	9,883,937
	105,280,177	116,704,186	17,885,699	152,494,752	23,370,843

RECENT DEVELOPMENT

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

The following unaudited condensed consolidated results for the six months ended June 30, 2021 prepared in accordance with the HKFRS, together with comparative figures for the six months ended June 30, 2020, are extracted from the announcement of interim results for the six months ended June 30, 2021 filed with the Hong Kong Stock Exchange on August 30, 2021. The unaudited condensed consolidated financial information as of and for the six months ended June 30, 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". Results for the interim periods are not necessarily indicative of results for the full year. Our announcement of interim results for the six months ended June 30, 2021 is not a comprehensive set of consolidated financial statements (and the results and comparative figures set out in this section of this offering memorandum are extracts from such announcement) and will not contain the same level of detail as that of a comprehensive set of consolidated financial statements, which we expect to be included in our interim report for the period ended June 30, 2021 to be filed with the Hong Kong Stock Exchange. As such, investors are advised to exercise due caution when reviewing our extracted financial information for the six months ended June 30, 2021 set out in this section and elsewhere in this offering memorandum. Please note that other than as set forth below, our reports and other information filed with the Hong Kong Stock Exchange and the information contained on its website are not incorporated by reference into, and do not form a part of, this offering memorandum. Any investor who is in doubt is strongly advised to seek advice from your own professional advisors.

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended June 30, 2021

	Unaudited Six months ended June 30	
	2021	**2020**
	RMB'000	*RMB'000*
Revenue	73,401,274	64,552,722
Cost of sales	(52,388,131)	(45,040,972)
Gross profit	21,013,143	19,511,750
Fair value gains on investment properties – net	533,838	308,767
Other income/other gains – net	283,373	353,485
Selling and marketing costs	(2,580,477)	(1,506,578)
Administrative expenses	(2,893,083)	(2,659,040)
Provision for impairment losses on financial assets	(398,596)	(1,414)
Other operating expenses	(129,842)	(384,361)
Operating profit	15,828,356	15,622,609
Finance income	1,308,425	560,549
Finance costs	(919,254)	(1,274,240)
Finance income/(costs) – net	389,171	(713,691)
Fair value changes of convertible redeemable preferred shares of subsidiary	–	(20,076)
Share of results of associated companies and joint ventures accounted for using the equity method	156,369	73,999
Profit before income tax	16,373,896	14,962,841
Income tax expense	(6,896,046)	(6,960,794)
Profit for the period	9,477,850	8,002,047
Other comprehensive income:		
Item that will not be reclassified to profit or loss		
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	(289,722)	(63,173)
Share of other comprehensive income of joint ventures accounted for using the equity method	53,305	–
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(33,396)	–
Total comprehensive income for the period	9,208,037	7,938,874
Profit for the period attributable to:		
Equity holders of the Company	6,282,755	5,265,571
Non-controlling interests	3,195,095	2,736,476
	9,477,850	8,002,047
Total comprehensive income for the period attributable to:		
Equity holders of the Company	6,009,393	5,212,649
Non-controlling interests	3,198,644	2,726,225
	9,208,037	7,938,874

Interim Condensed Consolidated Balance Sheet
As of June 30, 2021

	Unaudited June 30 2021	Audited December 31 2020
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property and equipment	17,015,217	16,864,312
Right-of-use assets	8,211,952	8,316,268
Investment properties	66,504,509	63,175,590
Intangible assets	4,408,914	3,826,812
Investments accounted for using the equity method	30,448,178	30,936,756
Amount due from related parties	5,116,588	1,978,774
Financial assets at fair value through other comprehensive income	1,693,874	1,974,946
Financial assets at fair value through profit or loss	166,347	168,016
Deferred income tax assets	3,300,296	3,231,065
Other non-current assets	3,551,629	3,722,189
	140,417,504	134,194,728
Current assets		
Inventories	321,978,760	313,787,270
Trade and other receivables and prepayments	23,574,724	21,387,554
Prepayment for acquisition of land use rights	11,094,618	13,483,055
Prepaid income taxes	4,560,527	4,452,805
Amounts due from related parties	42,556,803	33,978,392
Derivative financial instruments	–	2,337
Restricted cash	7,616,190	7,428,982
Cash and cash equivalents	74,768,698	61,038,027
	486,150,320	455,558,422
Total assets	626,567,824	589,753,150
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	362,850	362,850
Share premium	5,453,319	5,710,157
Reserves		
– Retained earnings	72,738,301	69,756,582
– Other reserves	12,062,010	12,172,471
	90,616,480	88,002,060

	Unaudited June 30 2021	Audited December 31 2020
	RMB'000	*RMB'000*
Non-controlling interests		
Perpetual capital instruments	5,141,000	5,141,000
Other non-controlling interests	67,177,169	59,351,692
	72,318,169	64,492,692
Total equity	162,934,649	152,494,752
LIABILITIES		
Non-current liabilities		
Borrowings	120,071,385	108,602,305
Lease liabilities	44,915	39,452
Deferred income tax liabilities	9,095,359	8,520,394
	129,211,659	117,162,151
Current liabilities		
Trade and other payables	108,269,682	102,506,442
Dividend payable	3,238,090	–
Contract liabilities	112,894,277	106,126,631
Income tax payable	30,003,047	30,480,635
Borrowings	44,443,009	36,540,759
Derivative financial instruments	16,571	33,114
Lease liabilities	34,755	37,495
Amounts due to related parties	35,522,085	44,371,171
	334,421,516	320,096,247
Total liabilities	463,633,175	437,258,398
Total equity and liabilities	626,567,824	589,753,150

LAND BANK

We persistently upheld prudent attitude and was prudent in replenishing land bank. In the first half of 2021, we adopted a diversified land acquisition strategy to increase land bank in the "core city clusters" by 3.01 million sq.m. (before interests). As of June 30, 2021, we penetrated in more than 110 major cities across the country, with 424 projects and a total area of 72.83 million sq.m. (before interests) quality land. The average land cost was RMB5,554 per sq.m..

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately 13.7% from RMB64,552.7 million in the first half of 2020 to RMB73,401.3 million in the first half of 2021. Out of our total recognized revenue in the first half of 2021, (i) 90.6% (compared to the first half of 2020: 95.2%) of the revenue was generated from the sales of properties; and (ii) 9.4% (compared to the first half of 2020: 4.8%) of the revenue was generated from hotel operation, commercial properties operation, property management and others. The table below sets for our revenue for each of the components described above for the periods indicated.

	For the six months ended June 30,	
	2021	**2020**
	(RMB)	*(RMB)*
	(in thousands)	
Sales of properties	66,521,433	61,465,703
Hotel operation income	971,885	453,035
Commercial properties operation income	946,877	734,161
Property management income, and others	4,961,079	1,899,823
Total	73,401,274	64,552,722

Cost of Sales

The principal components of our cost of sales primarily include (i) land costs and construction costs; (ii) capitalized borrowing costs; (iii) direct operating costs for hotels, commercial properties operation, property management and others; and (iv) sales taxes.

Our cost of sales increased by approximately 16.3% from RMB45,041.0 million in the first half of 2020 to approximately RMB52,388.1 million in the first half of 2021, which was in line with the growth in sales.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 7.7% from RMB19,511.8 million in the first half of 2020 to RMB21,013.1 million in the first half of 2021. Gross profit margin was 28.6% for the first half of 2021.

Fair Value Gains on Investment Properties – Net

In the first half of 2021, we recorded aggregate fair value gains of approximately RMB533.8 million, mainly contributed by the further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB133.5 million recognized was RMB400.3 million.

Selling and Marketing Costs and Administrative Expenses

We actively took measures, including increment of multi-channel promotion, to handle the challenges in parts of region affected by COVID-19 pandemic and intensive competition. As a result, selling and marketing costs increased largely during the period. Nevertheless, selling and marketing costs and administrative expenses arising from property sales fell slightly to 2.7% of contracted sales in the first half of 2021 (compared to the first half of 2020: 2.8%), which was competitive in the market.

Share of Results of Associated Companies and Joint Ventures

Share of profits of associated companies and joint ventures increased to profits of approximately RMB156.4 million in the first half of 2021 from RMB74.0 million in the first half of 2020, which was mainly attributable to recognition of profit from Guangzhou Asian Games City Project, Tianjin Jinnan Project, etc.

Taxation

Our tax provisions decreased from approximately RMB6,960.8 million in the first half of 2020 to approximately RMB6,896.0 million in the first half of 2021, among which PRC land appreciation tax ("LAT") decreased from RMB3,145.9 million in the first half of 2020 to RMB3,104.6 million in the first half of 2021. The decrease in LAT was mainly due to the decrease of gross profit margin.

Profit for the Period

As a result of the foregoing, our profit for the period increased by approximately 18.4% from RMB8,002.0 million in the first half of 2020 to RMB9,477.9 million in the first half of 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

We remained as a "Green Camp" enterprise as of June 30, 2021, with standard and stable indicators of "Three Red Lines" regulation.

	As of June 30 2021	As of December 31 2020
Net gearing ratio[1]	50.9%	50.8%
Liabilities to assets ratio[2] after excluding receipts in advance	68.0%	68.3%
Cash to current borrowings ratio[3]	1.19	1.16

Notes:

(1) Net gearing ratio is calculated by dividing total borrowings (including current and long-term borrowings) minus cash balances (including restricted cash) by total equity (excluding perpetual capital instruments amounting RMB1.55 billion issued after August 1, 2020).

(2) Liabilities to assets ratio is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax) by total assets (excluding perpetual capital instruments amounting RMB1.55 billion issued after August 1, 2020) minus receipts in advance (including contract liabilities and relevant value-added tax). As of June 30, 2021, contract liabilities and relevant value-added tax were approximately RMB119.9 billion.

(3) Cash to current borrowings ratio is calculated by dividing cash and cash equivalents minus guarantee deposits for construction of pre-sale properties by current borrowings. As of June 30, 2021, guarantee deposits for construction of pre-sale properties were approximately RMB21.9 billion.

Cash Positions

As of June 30, 2021, we had cash and cash equivalents of approximately RMB74,768.7 million (compared to RMB61,038.0 million as of December 31, 2020) and restricted cash of approximately RMB7,616.2 million (compared to RMB7,429.0 million as of December 31, 2020).

Indebtedness

As of June 30, 2021, we had total outstanding borrowings of RMB164,514 million, compared with RMB145,143 million as of December 31, 2020. As of June 30, 2021, short-term borrowings was approximately 27.0%, and long-term borrowings was approximately 73.0%.

The following table sets forth the maturity profiles of our total borrowings as of the dates indicated.

	As of June 30, 2021
	(RMB) *(in million)*
Bank borrowings and borrowings from other financial institutions and bonds	
Within one year	34,649
Between one and two years	53,151
Between two and five years	31,368
Over five years	5,511
Senior notes	
Within one year	9,794
Between one and two years	6,445
Between two and five years	9,647
Over five years	13,949
Total	164,514

Borrowing Costs

As of June 30, 2021, our comprehensive financing costs was 5.6%, maintaining a low level in the property industry.

FINANCIAL RISKS

Our foreign exchange exposure is mainly derived from the borrowings denominated in USD and HKD. We have been paying close attention to the fluctuation of the foreign exchange rate and actively taking measures to mitigate the risk of exchange rate fluctuation. Above all, the future sales of the properties in Hong Kong can partially hedge against the exchange rate risk. Besides, we have also purchased a certain percentage of financial derivatives.

KEY FINANCIAL RATIOS

Our net gearing ratio was 50.9% as of June 30, 2021, compared with 50.8% as of December 31, 2020.

BUSINESS OVERVIEW

Property Development

In the first half of 2021, we recorded contracted sales of RMB152.8 billion, representing an increase of 38.3% over the corresponding period of last year. Contracted gross floor area increased from 6.3 million sq.m. in the first half of 2020 to 8.6 million in the first half of 2021, representing an increase of 36.7% over the corresponding period of last year. The average selling price was RMB17,746 per sq.m.

We generate revenue primarily from sales of properties, property management, commercial properties operation and hotel operation. For the first half of 2021, our revenue reached RMB73.4 billion, representing an increase of 13.6% as compared to RMB64.6 billion in the first half of 2020. During the period, revenue from property sales amounted to RMB66.5 billion, accounting for 90.6% of the total revenue and representing an increase of 8.1% as compared to RMB61.5 billion in the first half of 2020. The recognized sales area was 4.1 million sq.m., representing an increase of 2.6% as compared to the corresponding period in 2020. The average recognized selling price was RMB16,416 per sq.m.

With respect to property sales, our contracted sales and aggregate contracted sales area were RMB152.8 billion and 8.6 million sq.m. in the first half of 2021, representing an increase of 38.3% and 36.7% respectively, as compared to the corresponding period of last year. The average selling price was RMB17,746 per sq.m.

We strategically adjusted supply and development plans according to market conditions to properly manage volume-price balance. In the first half of 2021, our floor area under construction was 50.7 million sq.m. The aggregate GFA completed was approximately 7.2 million sq.m., representing an increase of 53.2%, when compared with the corresponding period of the previous year of 4.7 million sq.m.

In the first half of 2021, we adopted a diversified land acquisition strategy to increase land bank in the "core city clusters" by 3.0 million sq.m. In terms of total land premium, first-tier and second-tier cities and advanced third-tier and fourth-tier cities accounted for approximately 95% of the land acquired. As of June 30, 2021, we penetrated in more than 110 major cities across the country, with 424 projects and a total area of 72.8 million sq.m. (before interests) quality land. The average land cost was RMB5,554 per sq.m. The following table sets forth land parcels acquired by us in the first half of 2021.

No.	New Land Parcels	Usage	Land Cost (Attributable Interests)	Total Planned GFA (Before Interests)	Cost per sq.m.	Shimao's Equity Proportion
			(RMB million)	*('000 sq.m.)*	*(RMB)*	
1.	Hangzhou Jianqiao Project	Commercial and residential	1,742	153	11,392	100%
2.	Hangzhou Tianmu Pharmacy Harbor Parcel	Commercial and residential	1,211	249	7,264	67%
3.	Jiangmen Xinhui Project	Residential, commercial services as well as commercial and financial	530	211	5,018	50%
4.	Longyan City P20 Parcel	Commercial and residential	138	73	6,333	30%
5.	G2 Parcel, Banqiao market, Banqiao Street, Yuhuatai District, Nanjing	Commercial and residential	518	149	10,555	33%
6.	Ningbo Jiangbei Cicheng Complex	Commercial and residential	1,984	194	10,215	100%
7.	Ningde Liancheng Road P02 Parcel	Residential	187	106	5,887	30%
8.	Ningde Liancheng Road P03 Parcel	Residential	154	79	6,546	30%
9.	Ningde Liancheng Road P04 Parcel	Residential, commercial services as well as commercial and financial	259	166	5,194	30%
10.	Quzhou Smart New Town Qianjiashan Parcel	Commercial and residential	1,150	142	16,205	50%
11.	Shenzhen Henggang Laojie Project	Commercial and residential	681	750	3,629	25%
12.	Parcel at the south of Cuihua Street and the west of Luming Road, Huangyan District, Taizhou	Commercial and residential	519	86	6,013	100%
13.	A3 Parcel, Tianshui County Project, Tianshui City	Commercial and residential	82	56	2,868	51%
14.	Xuzhou Gulou Guishan 8-2, 8-3 Parcel	Residential, commercial as well as commercial and financial	140	85	3,204	51%
15.	Yancheng Nanhai Future City	Commercial and residential	769	167	7,672	60%
16.	Yangzhou GZ189 Parcel	Commercial and residential	222	62	10,486	34%
17.	Zhangjiagang Zhangdi A04-F Parcel	Residential	383	29	13,028	100%
18.	Changsha Wang Gua No. 129	Commercial and residential	846	113	7,462	100%
19.	Ziyang Ziyue Mansion	Residential	300	142	2,118	100%
	Total		**11,815**	**3,013**	**6,659**	

Commercial Properties Operation

Confronted by a complex market environment, we maintained a steady pace in our advancement in the first half of 2021. With the pandemic easing, we saw major growth in both the sales and foot traffic of commercial projects under management, as compared to the same period of last year. In particular, Jinan Shimao Festival City recorded aggregate sales of over RMB42.0 million during the May 1st public holidays, representing a historic new high since its opening and foot traffic exceeded 620,000, representing an increase of 13% as compared with the same period of 2019, which was attributable to its innovative marketing and scenarios as well as content optimization and upgrade. Chengdu Shimao Festival City and Xiamen Jimei Shimao Festival City successively commenced operation in the reporting period, leveraging on their unique positioning of "Mini Vacation Lifestyle Center" and "Simple Lifestyle Center" to entice many brands to establish presence there. Upon commencing operation, both projects had all their shops occupied by businesses. In respect of the entertainment business, Shanghai Dream City Park has extended its market popularity since its opening, receiving over one million visitors by its first anniversary and recording aggregate sales of more than RMB100 million. Furthermore, in July 2021, Shimao started the operation of "Explore the Cave", a wonderland for parent-child cave exploration in the theme of "Max", its proprietary IP. Going forward, Shimao will continue with its business diversification, cater to differentiated demands of consumers and optimize user experience to deliver maximum value of investment.

Property Management

As of June 30, 2021, our GFA under management and contracted GFA reached 175 million sq.m. and 239 million sq.m., respectively. In the first half of 2021, our contracted GFA under external expansion surpassed the level of last year, reaching 27.1 million sq.m. and achieving 87% of the annual target. The external expansion covers a variety of business operations with major premium customers.

Hotel Operation

As of June 30, 2021, we had a total of 25 hotels in operation, including Hyatt on the Bund Shanghai, InterContinental Shanghai Wonderland, Le Royal Méridien Shanghai, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Crowne Plaza Shaoxing and Yutopia Wuyi Mountain Retreat. Currently, we had more than 8,600 hotel guest rooms. In addition, we had six directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and ETHOS Hotel Wuhan Riverside, offering over 1,100 hotel guest rooms. As the COVID-19 pandemic was generally under control in China, we adjusted our hotel operation plan with our focus on driving domestic demand and continuous exploration and innovation. During the first half of 2021, our overall revenue reached RMB972 million, representing an increase of 114.6% as compared with the corresponding period of 2020.

As of June 30, 2021, we had 27 hotels (including hotels under development) of international brands and 136 hotels (including hotels under development and management services) of self-owned brands. We entered into contracts for the operation of 18 additional hotels in the first half of 2021, of which about 60%, are located in first-tier and second-tier cities.

OTHER INFORMATION

Upgrade of Credit Ratings

On April 8, 2021, S&P raised our long-term corporate credit rating to "BBB-" with a stable outlook from "BB+" with a positive outlook.

Connected Transaction and Disposal of a Subsidiary

On March 15, 2021, Shimao Huanyu (Shanghai) Industry Limited Partnership (世茂環禹(上海)實業合伙企業(有限合伙)) ("Shimao Huanyu") entered into a sale and purchase agreement with Comic Eagle Limited ("Comic Eagle"), under which Shimao Huanyu agreed to sell the sale shares, representing the entire issued share capital of Shimao Aoya Holding Pty Ltd ("Shimao Aoya") to Comic Eagle and Comic Eagle agreed to assist Shimao Aoya to repay debts owed to Shimao Huanyu and its associates in the amount of AUD99,204,200 by cash of an aggregate consideration of approximately AUD103.795 million.

Shimao Huanyu is owned as to 99.005% by Shanghai Shimao. Upon completion of the sale and purchase agreement, Shanghai Shimao will no longer have any interest in Shimao Huanyu which will cease to be accounted as our a subsidiary.

Loan Agreement with Specific Performance Covenant

On April 22, 2021, we, as borrower, entered into a facility agreement with, among others, various banks as lenders and The Hongkong and Shanghai Banking Corporation Limited as facility agent. According to which, a term loan facility in the amount of US$1,315,000,000 or its equivalent will be made available to us for a term of 48 months from the date of the facility agreement. The loan facility to be obtained under the facility agreement shall be applied by the Company for funding the refinancing of the existing indebtedness of the Company.

Issuance of January 2021 Notes

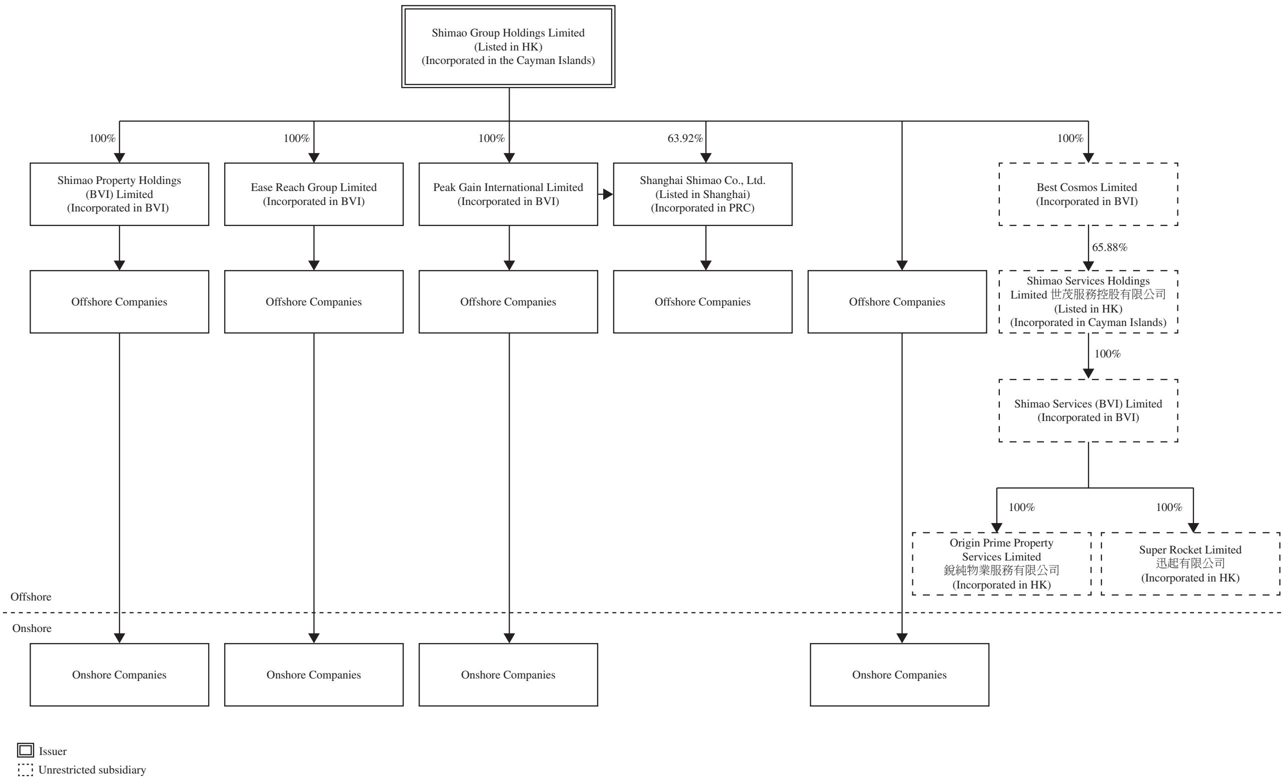
On January 11, 2021, we issued the January 2021 Notes in the aggregate principal amount of US$872,000,000. See "Description of Other Material Indebtedness—January 2021 Notes" for more details.

Issuance of April 2021 Notes

On April 30, 2021, we issued the April 2021 Notes in the aggregate principal amount of US$700,000,000. See "Description of Other Material Indebtedness—April 2021 Notes" for more details.

CORPORATE STRUCTURE

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



Notes:

(1) The table below sets forth details of our major PRC subsidiaries:

#	Chinese Name	English Name	Effective Shareholding
1	武漢世茂錦繡長江房地產開發有限公司	Wuhan Shimao Splendid River Real Estate Development Co., Ltd.	100.00%
2	上海世茂建設有限公司	Shanghai Shimao Jianshe Co., Ltd.	100.00%
3	上海世茂股份有限公司	Shanghai Shimao Co., Ltd.	63.92%
4	上海世茂新體驗置業有限公司	Shanghai Shimao Wonderland Real Estate Co., Ltd.	63.92%
5	徐州世茂新城房地產開發有限公司	Xuzhou Shimao New City Real Estate Development Co., Ltd.	100.00%
6	常州世茂房地產有限公司	Changzhou Shimao Real Estate Co., Ltd.	100.00%
7	福州世茂新城房地產開發有限公司	Fuzhou Shimao New City Real Estate Development Co., Ltd.	100.00%
8	福建世茂投資發展有限公司	Fujian Shimao Investment and Development Co., Ltd.	81.96%
9	青島世茂新城房地產開發有限公司	Qingdao Shimao New City Enterprise Real Estate Development Co., Ltd.	100.00%
10	蘇州世茂置業有限公司	Suzhou Shimao Property Co., Ltd.	100.00%
11	上海世源建材貿易有限公司	Shanghai Shine Construction Materials Trading Co., Ltd.	100.00%
12	張家港世茂房地產開發有限公司	Zhangjiagang Shimao Real Estate Development Co., Ltd.	51.00%

#	Chinese Name	English Name	Effective Shareholding
13	廈門信誠建築裝潢有限公司	Xiamen Xincheng Building Decoration Co., Ltd.	100.00%
14	上海世盈投資管理有限公司	Shanghai Shiying Investment Management Co., Ltd.	100.00%
15	南京世茂房地產開發有限公司	Nanjing Shimao Real Estate Development Co., Ltd.	81.96%
16	福建世茂新里程投資發展有限公司	Fujian Shimao New Miles Investment Development Co., Ltd.	51.60%
17	杭州世茂嘉年華置業有限公司	Hangzhou Shimao Carnival Property Co., Ltd.	100.00%
18	蘇州世茂新發展房地產開發有限公司	Suzhou Shimao New Development Real Estate Co., Ltd.	100.00%
19	山東世盈置業有限公司	Shandong Shiying Property Co., Ltd.	100.00%
20	廈門世茂新紀元置業有限公司	Xiamen Shimao New Era Property Co., Ltd.	100.00%
21	南昌世茂新紀元置業有限公司	Nanchang Shimao New Era Property Co., Ltd.	100.00%
22	大廠回族自治縣中基太業房地產開發有限公司	Dachang Hui Autonomous County Real Estate Development Co., Ltd.	98.58%
23	上海容承企業管理有限公司	Shanghai Rongcheng Enterprises Management Co., Ltd.	100.00%
24	重慶浚亮房地產開發有限公司	Chongqing Junliang Real Estate Development Co., Ltd.	100.00%
25	南京世招荃晟置業有限公司	Nanjing Shizhao Quansheng Property Co., Ltd.	51.00%
26	南寧世茂新紀元房地產開發有限公司	Nanning Shimao New Era Real Estate Development Co., Ltd.	100.00%
27	南京海峽城開發建設有限公司	Nanjing Straits City Development Construction Co., Ltd.	100.00%
28	平潭海峽如意城開發建設有限公司	Pingtan Straits Ruyi City Development Construction Co., Ltd.	100.00%
29	南京世茂新領航置業有限公司	Nanjing Shimao New Pioneer Property Co., Ltd.	56.80%
30	銀川世茂房地產開發有限公司	Yinchuan Shimao Real Estate Development Co., Ltd.	100.00%
31	成都世茂新城房地產開發有限公司	Chengdu Shimao New City Real Estate Development Co., Ltd.	100.00%
32	前海世茂發展(深圳)有限公司	Qianhai Shimao Development (Shenzhen) Co., Ltd.	81.60%
33	天津中新生態城世茂智合投資有限公司	Tianjin Sino-Singapore Eco-City Shimao Zhihe Investment Co., Ltd.	75.00%
34	福州世茂新領域置業有限公司	Fuzhou Shimao New Domain Property Co., Ltd.	60.00%
35	濟南世茂置業有限公司	Jinan Shimao Property Co., Ltd.	63.92%
36	北京茂悅盛欣企業管理有限公司	Beijing Maoyue Shengxin Enterprises Management Co., Ltd.	63.92%
37	青島世茂濱海置業有限公司	Qingdao Shimao Binhai Property Co., Ltd.	63.92%
38	濟南世茂天城置業有限公司	Jinan Shimao Tiancheng Property Co., Ltd.	63.92%
39	杭州世茂瑞盈置業有限公司	Hangzhou Shimao Ruiying Property Co., Ltd.	63.92%
40	牡丹江世誠建材貿易有限公司	Mudanjiang Shicheng Construction Materials Trading Co., Ltd.	100.00%
41	牡丹江世融建材貿易有限公司	Mudanjiang Shirong Construction Materials Trading Co., Ltd.	100.00%
42	上海世茂翊信置業有限公司	Shanghai Shimao Yixin Property Co., Ltd.	100.00%
43	世茂天成物業服務集團有限公司	Shimao Tiancheng Property Services Group Co., Ltd	65.88%
44	合肥世茂房地產開發有限公司	Hefei Shimao Real Estate Development Co., Ltd.	100.00%
45	福州世茂匯盈置業有限公司	Fuzhou Shimao Huiying Property Co., Ltd.	99.72%

#	Chinese Name	English Name	Effective Shareholding
46	北京富華長城房地產開發有限公司	Beijing Fuhua Great Wall Real Estate Development Co., Ltd.	50.00%
47	上海世堃貿易有限公司	Shanghai Shikun Trading Co., Ltd.	63.92%
48	牡丹江茂源貿易有限公司	Mudanjiang Trading Co., Ltd.	63.92%
49	上海世茂信擇實業有限公司	Shanghai Shimao Xinze Property Co., Ltd.	81.60%
50	黑龍江通海建材貿易有限公司	Heilongjiang Tonghai Construction Materials Trading Co., Ltd.	81.60%
51	廈門世茂新領航置業有限公司	Xiamen Shimao New Pioneer Property Co., Ltd.	81.09%
52	上海世茂國際廣場有限責任公司	Shanghai Shimao International Plaza Co., Ltd.	100.00%
53	福州世茂新紀元置業有限公司	Fuzhou Shimao New Era Property Co., Ltd.	100.00%
54	泉州世茂新發展置業有限公司	Quanzhou Shimao New Development Property Co., Ltd.	100.00%
55	泉州世茂瑞盈置業有限公司	Quanzhou Shimao Ruiying Property Co., Ltd	100.00%
56	福州世茂嘉年華置業有限公司	Fuzhou Shimao Carnival Property Co., Ltd.)	100.00%
57	武漢世茂嘉年華置業有限公司	Wuhan Shimao Carnival Property Co., Ltd.	81.60%
58	武漢世茂新城房地產開發有限公司	Wuhan Shimao New City Real Estate Development Co., Ltd.	100.00%
59	天津世茂悦鑫投資開發有限公司	Tianjin Shimao Yuexin Investment and Development Co., Ltd.	100.00%
60	銀川世海房地產有限公司	Yinchuan Shihai Real Estate Co., Ltd.	51.00%
61	武漢世茂天潤置業有限公司	Wuhan Shimao Tianrun Property Co., Ltd	52.00%
62	福建世茂置業有限公司	Fujian Shimao Property Co., Ltd.	100.00%

(2) On October 30, 2020, the Hong Kong Stock Exchange granted the listing of, and permission to deal in, the shares of Shimao Services on the main board of the Hong Kong Stock Exchange. We have designated Shimao Services and its subsidiaries, together with Shimao Services' direct parent company, Best Cosmos Limited, as unrestricted subsidiaries under the Indentures and the indentures governing the Existing Notes.

BUSINESS

OVERVIEW

We are a large-scale developer and owner of high-quality real estate projects in China. We specialize in developing mid- to high-end residential, retail and office properties for sale and prime and well-located hotel, retail and office properties for long-term investment. We have a track record of successfully bringing to market real estate projects in Shanghai, Beijing, Hangzhou, Suzhou, Nanjing, Fuzhou and other fast-growing cities in China.

As of June 30, 2021, we had a total of 424 projects (including projects we develop with our joint venture partners) at various stages of development in over 110 core cities located in the Jingjinji Metropolitan Region, the middle and lower reaches of the Yangtze River, the Economic Zone on the coastal cities along the West Coast of the Taiwan Strait, the Pearl-River Delta, the Cheng-Yu Economic Zone, Shandong Peninsula and other regions of rapid economic growth. As of June 30, 2021, we had a land bank with an estimated total GFA of approximately 72.8 million sq.m., comprising properties under development with an aggregate planned GFA of approximately 50.7 million sq.m. and properties held for future development with an aggregate planned GFA of approximately 22.1 million sq.m. As of June 30, 2021, our projects (including projects we develop with our joint venture partners) held for future development included an aggregate planned GFA attributable to us of approximately 3.2 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights. Our average land cost for our land bank reserve as of June 30, 2021 was approximately RMB5,554 per sq.m.

Our property portfolio comprises high-quality residential, retail and office properties for sale as well as high-end hotels, retail and office properties held for long-term investment, which include, among others, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Yutopia Wuyi Mountain Retreat, Conrad Xiamen, DoubleTree by Hilton Ningbo Beilun, Hilton Yantai, Hilton Shenyang, Le Méridien Hangzhou Binjiang, InterContinental Shanghai Wonderland and four hotels entrusted to Shimao Star for management. For the years ended December 31, 2018, 2019 and 2020, we generated 94.6%, 94.4% and 93.2%, respectively, of our revenue from the sales of properties and the remaining 5.4%, 5.6% and 6.8%, respectively, from our hotel operations, leasing of investment properties, property management and other operations.

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB85,512.7 million, RMB111,517.0 million and RMB135,352.8 million (US$20,743.7 million), respectively, and the profit for the year was RMB12,310.9 million, RMB16,380.0 million and RMB19,462.5 million (US$2,982.8 million), respectively.

OUR STRENGTHS

We believe our primary competitive strengths are:

Market leadership and proven execution capabilities

We have a track record of successfully bringing to market real estate projects in Shanghai, Beijing, Hangzhou, Suzhou, Nanjing, Fuzhou and other fast-growing cities in China and have achieved balanced sales nationwide, with recognized sales in 52 cities in 2019. We have also adjusted our product mix to focus more on quality mass market projects, i.e., small- to medium-sized residential units, for first-time home buyers and upgraders, in order to boost our contracted sales and fasten our asset turnover rate. In 2013, we adopted an information technology system, namely, the SAP system, which is used to monitor sales and profitability of our projects, enhancing our flexibility to respond to market volatility.

We believe as a result of our market leadership and proven execution capabilities, coupled with the use of advanced technology, we will be able to continuously provide competitive products going forward.

Sizable and geographically diversified low-cost land bank in high growth cities

We have successfully accumulated large areas of land for future development. As of June 30, 2021, we had a total of 424 projects (including projects we develop with our joint venture partners) at various stages of development in over 110 core cities located in the Yangtze River Delta Region (including Jiangsu and Shanghai District and Zhejiang District), Bohai Rim Region, Northeastern Region, Western and Southern Central Region, Southern China and Fujian Province and other regions of rapid economic growth. As of June 30, 2021, we had a land bank with an estimated total GFA of approximately 72.8 million sq.m., comprising properties under development with an aggregate planned GFA of approximately 50.7 million sq.m. and properties held for future development with an aggregate planned GFA of approximately 22.1 million sq.m. As of June 30, 2021, our projects held for future development included an aggregate planned GFA of approximately 3.2 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights.

We believe that our market foresight and in-depth understanding of property market dynamics, arising out of the collective experience of our management team, have enabled us to seek and capitalize on land acquisition opportunities at relatively early stages of their long-term appreciation potential. We believe this allows us to achieve advantageous unit land costs relative to the current market values of our property projects, therefore mitigating our financial risk relating to the development of our projects. The average land cost of our land bank as of December 31, 2020 was RMB5,188 per sq.m. Our strategy is to remain focused on the prudent acquisition of land in the Yangtze River Delta Region and expand in Fujian Province and the Greater Bay Area. Our recently acquired parcels of land in 2020 are located in Beijing, Shanghai, Sanya, Nanjing, Foshan, Chengdu, Haikou, Jinan, Yiwu, Wuhan, Qingdao and other cities. Most of the land we have acquired is situated at prime locations. As such, we believe these land reserves provide us with an attractive project development pipeline in the coming years.

In addition, we remain disciplined in replenishing and expanding our land bank to meet our business needs based on our strict investment criteria. We strive to strike a balance between development opportunity and risk control, and we also seek cooperation opportunities and diversify our land acquisition channels on top of public tender, auction and listing.

Balanced property portfolio with strong recurring income

We believe that property selection and positioning are crucial to our success. We have carefully expanded our business model beyond the development and sale of residential properties to include the development of hotels, retail and office properties, which we sell or hold for long-term investment. By balancing our product portfolio, we aim to not only reduce our dependence on the residential property sector, but also to enhance the stability of our long-term investment revenue by increasing the portion of our earnings and cashflow from recurring income from hotel and rental properties.

As of December 31, 2020, we had completed and commenced operations at The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-City, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, InterContinental Shanghai Wonderland, Yuluxe Hotel Chengdu, Le Méridien Hangzhou Binjiang, MiniMax Hotel Shishi, MiniMax Premier Hotel Dalian Yulong Bay, Yutopia Wuyi Mountain Retreat and Sheraton Hong Kong Tung Chung Hotel, which together had over 7,600 guest rooms. As of December 31, 2020, the fair value of our hotels was RMB43.6 billion. We have established long-term strategic relationships with internationally renowned hotel groups to operate and manage our hotels.

In 2009, we completed the injection of our commercial projects and properties into Shanghai Shimao and acquired a 64.2% equity interest in Shanghai Shimao. Pursuant to this reorganization, Shanghai Shimao began to hold our commercial property development portfolio. Shanghai Shimao had a land bank reserve of approximately 20.3 million sq.m. as of December 31, 2020. As of December 31, 2020, Shimao International Plaza in Shanghai, Shaoxing, Kunshan, Nanjing, Changshu, Suzhou, Xuzhou, Shenyang, Jinan, Shishi, Xiamen, Wuhu, Shenzhen and Changsha and office buildings in Beijing and Shanghai had all commenced operations.

We believe that as a result of our balanced product portfolio and our strong recurring income, we are less susceptible to fluctuations in any single property market segment in the PRC.

Expertise in integrated development projects

We believe we are one of the few developers in China that have the resources and experience to develop large parcels of land comprising residential, commercial and hotel properties in the same location. We take a large-scale and integrated approach to property development. When developing residential properties, we also build hotels, commercial and leisure facilities and landscape gardens that possess high values and increase the selling prices of the related residential properties by transforming the neighboring areas in a positive fashion. When developing our hotels, we not only build large-scale hotels with sizeable room counts fitted out with quality amenities, but also create diverse and high-quality dining, entertainment, fitness, leisure, business and corporate events facilities which broaden the customer appeal and revenue base of the hotels. By developing both residential and non-residential properties in the same location, we can help create new urban centers. We believe that this large-scale and integrated approach not only allows us to create property developments of significant size and value but also better positions us in our discussions with the local governments with regard to acquiring land and obtaining infrastructure and other support for our projects. Developing large-scale projects also enables us to better leverage our highly experienced project management team and strengthen our negotiation position versus contractors and materials suppliers.

Valuable and well-recognized brand name associated with high quality and innovative products

We believe that we have established a strong brand name in China's property market through our track record of bringing large-scale, high-quality and innovative products in various cities in China to market.

Our philosophy is to develop properties that have top quality in terms of both design and construction. To achieve high quality in design, we engage internationally renowned architects and designers to create innovative and differentiated properties. To achieve high quality in construction, we use premium materials and fittings in the construction and furnishing of our properties, and closely scrutinize the work of our chosen contractors. We believe our focus on quality has enabled us to differentiate our properties and achieve favorable sales and rental prices, and, more importantly, to associate the "Shimao" brand with prestige, high quality and customer satisfaction.

The strength of our brand is evidenced by the many industry awards we have won. We have received numerous accolades for our quality property projects and strong after-sales support, and Shimao Services Holdings Limited has received accolades for its property management services. We believe our "Shimao" brand is of tremendous value to us as we expand our business and geographic reach in cities and regions throughout China.

Diversified funding channels with strong financing capabilities

We have established relationships with many leading banks in China as well as major international financial institutions, which provide us with multiple financing channels to fund our business operations. Our major lending PRC banks include all of the four largest state-controlled national banks, namely Bank of China, China Construction Bank, Agriculture Bank of China and Industrial and Commercial Bank of China. To diversify our financing sources and secure sufficient working capital, we also obtained further funding by accessing the international capital markets. Since our initial public offering and listing of shares on the Hong Kong Stock Exchange in 2006, we have engaged in various capital raising transactions, including the offerings of senior notes, such as the July 2017 Notes, the January 2018 Notes, the March 2018 Notes, the October 2018 Notes, the February 2019 Notes, the July 2019 Notes, the July 2020 Notes, the January 2021 Notes and the April 2021 Notes. After we acquired an additional equity interest in Shanghai Shimao, a company listed on the Shanghai Stock Exchange, in 2009, Shanghai Shimao became our subsidiary, affording us access to the A-share market in the PRC. In addition, we currently have multiple offshore credit facilities for various purposes, such as financing property development, refinancing our existing indebtedness or for general corporate purposes. As of December 31, 2020, we had unutilized banking facilities of RMB70 billion (US$11 billion). We have also issued domestic private bonds and plan to issue asset-backed securities in the PRC. See the section entitled "Business—Recent Developments." We believe that our ability to access global capital markets provides us with flexibility to fund our operations and enhance our liquidity position. In addition, we use working capital efficiently through well-delineated fund deployment among residential property development, commercial property development and hotel development and operations. We believe that our ability to efficiently manage capital enables us to optimize our asset turnover.

Strong relationships with international business and real estate industry partners

We have entered into long-term management agreements with the Marriott Group to manage the A Tribute Portfolio Hotel Shanghai, the Le Royal Méridien Shanghai, Le Méridien Hangzhou Binjiang and Sheraton Hong Kong Tung Chung Hotel, which opened in November 2005, September 2006, September 2018 and December 2020, respectively. We have also reached similar agreements with the Hyatt Group to manage the Shanghai Hyatt on the Bund, which was opened in June 2007, the InterContinental Group to manage the Mudanjiang Holiday Inn, Holiday Inn Shaoxing, InterContinental Fuzhou, Crowne Plaza Shaoxing, InterContinental Shanghai Wonderland which was opened in October 2010, September 2011, January 2014, March 2014 and November 2018, respectively, and Hilton Group for Hilton Nanjing Riverside, Double Tree by Hilton Wuhu, Hilton Tianjin Eco-City, Double Tree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen, Double Tree by Hilton Ningbo Beilun, Hilton Yantai, Hilton Shenyang, Hilton Changsha Riverside which was opened in December 2011, October 2013, October 2015, December 2015, July 2016, August 2016, December 2016, August 2017, January 2018 and July 2021, respectively. We believe the management of our hotels by such world-renowned hotel groups significantly enhances the image and recognition of our hotel properties among our target customers, including international and domestic travelers. In addition, in March 2017, we cooperated with Starwood Capital to create our own brand to manage the hotel,which named Shimao Star Hotel Group. By the end of 2020, Shimao Star Hotel Group have been signed 136 hotels.

Various domestic and international retailers have also entered into strategic cooperation agreements with us and have agreed to lease a portion of our existing and future retail properties. Our strategic retail partners include Parkson, McDonald's, Starbucks, Auchan and Watsons. We believe that our ability to enter into strategic cooperation agreements with these domestic and international retailers prior to the completion of the relevant retail properties will allow us to obtain a higher occupancy rate upon their respective opening. Through this approach we intend not only to enhance our financial stability and the profile and attractiveness of our retail properties but also to improve the marketability and prospects of our residential properties and hotels which are developed in conjunction with such retail properties.

We have established strong working relationships with different suppliers and consultants, including TOTO China Co., Ltd., Kohler (China) Investment Co., Ltd, Hansgrohe Sanitary Products (Shanghai) Co., Ltd., Bosch Thermotechnology (Beijing) Co., Ltd., Opple Lighting Co., Ltd., Xiamen Danke Technology Co., Ltd., Gree Electric Appliances Inc., Mademake Shanghai Architectural Design and Consultant Co., Ltd., Chongqing Donehome Landscape Architecture Planning & Design Co., Ltd., Hitachi Elevator (China) Co., Ltd., Siemens (China) Co., Ltd., Daikin (China) Investment Co., Ltd. and A. O. Smith (China) Water Heater Co., Ltd. We believe our collaboration with such suppliers and international architectural and design consultants have enabled us to attain a consistent standard of high quality in the design and construction of our property projects.

In recent years, we have partnered with various leading PRC property developers, including Agile Group Holdings Limited ("Agile"), China Overseas Land & Investment Ltd, Guangzhou R&F Properties Co., Ltd. ("R&F"), Country Garden Holdings Company Limited ("Country Garden"), China World Trade Center Co. Ltd., Xiamen C&D Co., Ltd and KWG Group Holdings Limited ("KWG"), to develop certain projects in Guangzhou, Hangzhou and Tianjin. We believe that, leveraging on the support and contribution of these property developers, we will further enhance our financial and operational management capabilities and practices, strengthen our overall risk control and management systems and achieve stable long term development.

We believe that stable, long-term collaborative relationships with these partners enhances not only the attractiveness of our property developments and investments, but also our long-term prospects as we continue to develop and expand our business under our "Shimao" brand in China.

Experienced and stable management team

Our chairman, Mr. Hui Wing Mau, has over 31 years of experience in property development and investment throughout China, and is a respected leading figure within a number of real estate industry bodies. Our management team consists of experienced professionals, some of whom have received internationally recognized qualifications, and have extensive experience in the development, sales and management of real estate projects not only in major Chinese cities such as Shanghai and Beijing but also overseas.

We believe that by employing and retaining individuals from domestic as well as overseas backgrounds, we have been able to capitalize on their collective expertise in both the local and international property markets, and selectively apply different ideas, concepts and practices such that we can develop and sell properties that appeal to both domestic as well as overseas customers.

We adopt a flat management structure, which enables our management team to make decisions quickly and efficiently. This in turn leads to effective project management which enables us to shorten our project development timeframe, improve capital efficiency and manage our financial risks at the same time.

OUR STRATEGIES

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

Continue to enhance our "Shimao" brand name

We intend to continue to promote the "Shimao" brand by continuing to focus on quality and innovation in our property projects and providing the purchasers of our properties with strong after-sale support and property management services. We will continue to pursue innovation within each of the residential, hotel, retail and office property sectors. For example, we plan to develop hotels and shopping complexes with themed gardens, low-density commercial zones and office buildings in a landscaped environment, as well as scenic residential, leisure and tourism zones. In this respect, we will continue to collaborate with international architects and designers to create market-leading projects that are unique and distinctive. We believe that innovation will provide us with a competitive advantage by differentiating our products and services from those of our competitors, and by providing a unique experience to our customers.

We will also continue to develop attractive and well-located hotels, retail and office properties that create value for our hotel management partners, business partners, tenants and end-customers. We believe that delivering value to our customers and enhancing their overall satisfaction with our products will enable us to strengthen our "Shimao" brand further, and reinforce its association with prestige and quality. At the same time, we intend to continue to build market recognition of the "Shimao" brand through marketing initiatives such as advertising campaigns, participation in international property exhibitions and the establishment of customer loyalty clubs that aim to generate incremental sales through customer referrals.

Continue to pursue product diversification and refine asset portfolio to achieve a balanced revenue profile

We intend to continue to expand into the hotel, retail and office property sectors in the PRC and Hong Kong to diversify our sources of future revenue. At the same time, we aim to continue to refine our asset portfolio by increasing our proportion of properties held for investment to achieve greater revenue stability through recurrent hotel and rental income. We believe that such diversification measures will increase the breadth and stability of our revenue by reducing our overall exposure to volatility within any one property segment, in particular the volatile residential property segment.

With regard to hotels, we plan to focus on developing luxury hotels to be operated by renowned international hotel management groups. We have entered into management contracts with the InterContinental, Hyatt, Marriott and Hilton Groups with respect to a number of our hotels and we plan to enter into similar management contracts for some of our other hotels that are under development or for future development. In addition, we have established our own hotel management company to manage some of our other hotels under development or currently being planned. See "Business—Our Hotels and Investment Properties—Hotels."

With regard to retail and commercial properties, we intend to focus on developing high-quality properties in central commercial areas in major cities. Due to the continuing economic growth in China, rental prices for retail and commercial properties have increased significantly in recent years and we believe this trend will continue. We intend to enter into long-term tenancy agreements with reputable anchor retail tenants to secure stable and recurring rental income.

Continue to expand our business operations and land bank in a disciplined manner

We intend to leverage our strong brand name and extensive experience to continue developing high-quality properties in our chosen markets in China. In addition to the markets in which we already have a presence, we have identified the Yangtze River Delta, Bohai Rim, Hong Kong, Greater Bay Area, Northeastern, Central and Southern and Western Regions as the regions where we intend to continue to expand our operations. We believe that our brand and expertise in developing high-quality properties, coupled with high economic growth and government incentives in these regions, will allow us to increase our profitability and brand recognition. As part of our expansion strategy, we intend to also increase our presence in second- and third-tier cities which we believe have great growth potential. We will continue our strategy of conducting in-depth market research and analysis with the aim of identifying property trends and potential development opportunities as early as possible in a locality's potential development cycle. We will also continue to pursue opportunities that are large scale in nature, so as to continue to achieve economies of scale in land acquisition and construction costs.

We intend to continue to adopt a disciplined approach to land acquisition. We believe that purchasing land at prices that are low relative to the expected selling prices or capital values of the finished projects is a critical factor in managing financial risk and achieving superior profitability. We will make all decisions relating to land acquisitions based on thorough research and analysis of a project's expected returns in the context of future property and economic trends in cities in China. By implementing these procedures, we seek to expand our land bank while maintaining a system of financial controls and managing our costs through a detailed budget-planning process. Overall, we intend to continue to pursue a prudent and disciplined corporate strategy of steady and sustainable growth.

Promote environmental protection, energy-saving and low carbon emission in planning and design work

We believe that a low-carbon development strategy and construction of low-carbon communities are the social responsibility of the real estate industry, which will not only allow us to distinguish ourselves from our competitors and enhance our brand name and corporate image in the PRC, but also lead to sustainable development of our business.

We adhere to a "harmony in architecture and environment" development philosophy and are actively involved in developing and constructing environmentally friendly buildings. We have made this one of our corporate development directions. For example, we have developed a number of projects featured with ecological design and environmentally friendly structure, including Fuzhou Minhou Shimao Dragon Bay, Fuzhou Guling Ebi Project & Fuzhou Guling Zhuli Hotel, Yutopia Wuyi Mountain Retreat, Shenzhen Shimao Qianhai Center, Shanghai Shimao Tower and Quanzhou Shimao Zimaoshan. We plan to apply advanced and innovative ecological technologies to this project with an aim of making it a role model for ecological architecture and zero-carbon life development in China. Going forward, we plan to incorporate such environmentally friendly concepts into our other projects to strengthen our public recognition. We believe such efforts will enable us to differentiate ourselves from our competitors, increase our product appeal and enhance the competitiveness of our business.

Continue to adopt prudent financial policy and proactive approach to capital structure management

We plan to continue to closely monitor our capital and cash positions and carefully manage our land costs, construction costs, operating expenses and fixed charge coverage. For example, we strive to acquire our land reserves at relatively low costs and keep the average land costs for our properties within a reasonable percentage range of the then-prevailing market prices of comparable properties. We believe that by adhering to prudent cost management, we will be able to utilize our working capital more efficiently and maintain healthy profit margins.

We monitor our capital and indebtedness level by reviewing our net gearing ratio, which is equal to net borrowings (total borrowings subtracting cash and cash equivalents and restricted cash for our borrowings) divided by total equity (excluding perpetual capital instruments amounting RMB1.55 billion issued after August 1, 2020). Our net gearing ratio as of December 31, 2020 was approximately 50.8%. Going forward, we plan to maintain a net gearing ratio of below 60%.

We intend to continue to closely monitor the maturity profiles of our borrowings and manage the level of liquidity to ensure sufficient cash flows to service our indebtedness and meet cash requirements arising from our business. We will remain disciplined in our capital commitment and proactive in managing our capital structure to meet our ongoing capital requirements.

RECENT DEVELOPMENTS

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

OVERVIEW OF OUR PROJECTS

As of June 30, 2021, our portfolio of property development projects consisted of 424 projects (including projects we develop with our joint venture partners) under various stages of development in over 100 core cities across China, including Shanghai, Beijing, Nanjing, Kunshan, Jiangyin, Zhangjiagang, Changshu, Suzhou, Wuxi, Changzhou, Xuzhou, Hangzhou, Shaoxing, Nantong, Ningbo, Qingdao, Tianjin, Dalian, Wuhan, Wuhu, Shenyang, Chengdu, Mudanjiang, Fuzhou, Xiamen, Changsha, Nanchang, Wenchang, Jinan, Xi'an, Yinchuan, Nanning, Shenzhen, Guangzhou, Gu'an, Chongqing, Quanzhou, Hefei, Foshan, Jinjiang and Hong Kong. We divide our property developments into three categories: (i) completed property developments; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments on a rolling basis, one project may include different phases at various stages, including completion, under development or held for future development. As of June 30, 2021, we had, with 424 projects, properties under development of approximately 50.7 million sq.m. and properties held for future development of approximately 22.1 million sq.m. As of June 30, 2021, our projects (including projects we develop with our joint venture partners) held for future development included an aggregate planned GFA attributable to us of approximately 3.2 million sq.m. for which we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights. In addition, we acquired certain parcels of land, including those for projects we develop with our joint venture partners with an aggregate planned GFA of approximately 15.3 million sq.m. for the six months ended June 30, 2021.

The following table sets forth project-by-project information for our interest in our 424 property development projects[1] as of June 30, 2021:

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[2]	GFA Under Development	Planned GFA[3]	Interest Attributable to Us[4]
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
Northern China District							
1	Shenyang Shimao Wulihe	Shenyang	113,509	621,938	12,308	–	100%
2	Shenyang Qipan Mountain	Shenyang	521,256	550,000	322,625	–	50%
3	Dalian Shimao Glory City	Dalian	436,562	2,033,986	34,042	1,263,272	100%
4	Mudanjiang Shimao Holiday Landscape	Mudanjiang	253,563	516,877	85,966	50,000	100%
5	Mudanjiang Shimao South Bund	Mudanjiang	210,682	782,512	326,300	2,222	100%
6	Tianjin Eco-City	Tianjin	637,355	1,196,710	203,911	–	100%
7	Beijing Shimao Salamanca	Beijing	539,442	1,220,760	176,883	160,607	65%
8	Beijing Tongzhou Project (North Parcel)	Beijing	104,517	171,120	163,562	–	50%
9	Yidu Project	Laishui	818,591	523,671	260,176	193,188	91%
10	Dalian Jinzhou Shimao Dragon Bay	Dalian	3,318,119	3,697,444	30,935	3,045,841	100%
11	Gu'an Project	Gu'an	291,353	764,425	443,953	303,100	50%
12	Beijing Shangzhuang Project	Beijing	299,485	262,007	52,915	–	77%
13	Tongzhou Yangzhuang Project 12	Beijing	16,000	45,600	45,600	–	64%
14	Beijing Fengtai District Xitieying Project	Beijing	65,650	193,846	107,634	–	60%
15	Yidu Laishui Project Parcel 1	Laishui	35,000	104,403	104,403	–	100%
16	Yidu Laishui Project Parcel 2	Laishui	3,000	3,633	3,633	–	100%
17	Changchun Lianhua Mountain Parcel 82-87	Changchun	476,131	571,358	535,338	–	63%
18	Tianjin Wuqing Shimao Luxury Mansion	Tianjin	177,656	266,485	238,765	27,720	51%
19	Beijing Fengtai Xiaowayao Parcel	Beijing	27,200	76,160	76,160	–	49%
20	Changchun Lianhua Mountain Parcel 92-102	Changchun	487,295	496,289	432,855	–	63%
21	Tianjin Eco-City Parcel 26	Tianjin	79,422	79,500	–	59,045	100%
22	Shenyang Shimao Wulihe (Commercial)	Shenyang	122,720	819,518	713,518	–	100%
23	Tianjin Wuqing Shimao Luxury Mansion	Tianjin	200,448	396,342	5,946	3,261	100%
24	Tianjin Jinnan Project	Tianjin	197,553	1,333,231	977,654	–	25%
25	Beijing Chaoyang District Jiangtai Project	Beijing	60,678	160,145	160,130	15	50%
26	Xianghe Wantong Project	Xianghe	438,521	775,000	525,003	53,668	70%
27	Tianjin Nanhu Project	Tianjin	147,886	221,828	221,828	–	19%
28	Huailai Project	Zhangjiakou	92,695	203,474	81,175	122,299	51%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project(2)	GFA Under Development	Planned GFA(3)	Interest Attributable to Us(4)
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
29	Gulang Water Town Project	Tianjin	945,357	1,667,175	786,947	880,228	51%
30	Fangshan Project	Beijing	88,242	71,582	–	26,463	100%
31	Qingdao Xin'an Parcel	Qingdao	135,510	352,427	109,522	16,420	100%
32	Anzi Parcel	Qingdao	14,559	43,677	5,946	–	51%
33	Yangye Project	Jinan	107,658	387,569	131,202	217,147	100%
34	Beijing Gongti West Road No. 3 Project	Beijing	4,248	27,564	27,564	–	10%
35	Beijing Fenzhong Temple Project L41 Parcel	Beijing	29,751	88,484	60,251	–	51%
36	Beijing Fenzhong Temple Project L39 Parcel	Beijing	17,832	55,141	55,141	–	49%
37	Pingluowan Project	Shenyang	80,149	144,268	114,296	29,971	100%
Subtotal			11,595,596	20,926,151	7,634,086	6,454,466	
Zhejiang District							
38	Hangzhou Shimao Born with Legend	Hangzhou	54,441	230,920	68,902	–	100%
39	Hangzhou Gate of Zhejiang	Hangzhou	33,857	391,607	238,042	–	100%
40	Ningbo Shimao World Gulf	Ningbo	234,046	774,695	138,959	–	100%
41	Ningbo Shimao Sea Dawn	Ningbo	602,702	832,011	85,153	74,965	100%
42	Ningbo World Gulf Damuwan	Ningbo	441,406	510,879	115,544	105,861	100%
43	Hangzhou Qianjiang Century City	Hangzhou	46,761	200,995	200,995	–	25%
44	Hangzhou Qinglong Project	Hangzhou	36,395	146,829	65,851	–	51%
45	Hangzhou Pengbu Project	Hangzhou	75,903	284,887	77,494	–	50%
46	Ningbo Shimao Fenghua Peach Garden	Ningbo	163,285	143,858	65,857	–	50%
47	Jiaxing Tech Project	Jiaxing	88,534	159,361	159,361	–	30%
48	Yuecheng District Project	Shaoxing	109,041	294,411	106,570	–	50%
49	Shaoxing Didang Lake Parcel 1	Shaoxing	159,067	222,694	1,650	–	25%
50	Taizhou Jiaojiang District Zhang'an Project	Taizhou	102,934	222,292	222,292	–	34%
51	Ningbo Zhenhai District Luotuo Project	Jiaxing	45,111	81,200	38,299	–	50%
52	Jiaxing Pinghu Project	Wenzhou	69,986	146,971	146,971	–	50%
53	Pingyang Aojiang Parcel F-01-01	Wenzhou	52,181	120,016	15,037	–	51%
54	Pingyang Aojiang Parcel F-02-01	Wenzhou	50,746	116,716	13,856	–	31%
55	Leqing Parcel H-b3-2	Leqing	42,017	84,034	84,034	–	13%
56	Wenzhou Ouhai Center Project	Wenzhou	35,026	105,078	12,857	3,186	100%
57	Wenzhou Development Zone Parcel	Wenzhou	157,469	353,797	13,874	1	50%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project(2)	GFA Under Development	Planned GFA(3)	Interest Attributable to Us(4)
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
58	Hangzhou Puyan Project	Hangzhou	38,744	96,860	67,942	65	30%
59	Yuhang Parcel No. 25	Hangzhou	17,271	39,723	39,723	–	30%
60	Yuhang Parcel No. 26	Hangzhou	34,626	79,640	3,547	–	30%
61	Ningbo Shimao Riviera Garden	Ningbo	60,607	170,585	50,321	–	100%
62	Ningbo Sunjia Project	Ningbo	63,031	249,379	130,970	–	40%
63	Shaoxing Binhai New City	Shaoxing	90,450	208,034	3,083	1,694	100%
64	Wenzhou Tangxia Center	Jiaxing	22,271	51,224	1,210	–	100%
65	Zhuji Dongsan Road Parcel	Shaoxing	64,135	83,376	83,376	–	33%
66	North Parcel of Vocational-technical School	Lishui	47,313	85,163	12,567	–	100%
67	Wehzhou Tangxia Center Parcel C-7-4/C-7-5	Wenzhou	16,792	34,369	401	2,264	100%
68	Wehzhou South Station Project	Wenzhou	41,422	124,266	121,376	2,890	33%
69	Leqign Hongqiao Town Xitang Parcel	Wenzhou	78,310	195,775	195,775	–	50%
70	Zhushanman Residential Parcel	Zhoushan	27,599	66,238	65,827	411	50%
71	Parcel of South Renmin Road and Wenchang Road	Shaoxing	34,567	41,480	41,480	–	40%
72	Zhuji West City Business District	Shaoxing	123,836	148,603	141,969	6,634	33%
73	Zhoushan Baiquan Parcel	Zhoushan	40,067	80,134	80,134	–	33%
74	Yiwu International Logistic Park	Yiwu	45,457	127,279	45,444	–	51%
75	Yucheng Street Parcel NCG041-0107	Taizhou	86,089	189,396	181,806	7,590	50%
76	Tongxiang Zhendong Project	Tongxiang	48,703	97,406	–	18,995	100%
77	Jinyun Town Parcel 2019-14	Lishui	56,153	95,460	53,080	810	100%
78	Gumutang Parcel	Yiwu	70,216	182,563	69,982	112,580	50%
79	Oujiangkou Qiantan Phase I Parcel	Wenzhou	82,375	238,888	–	853	100%
80	Xinzhou Park No. 1 Parcel	Quzhou	35,256	77,563	77,563	–	50%
81	Pengbu Bangshan District Parcel	Pengbu	123,251	246,503	151,233	91,978	50%
82	Jinghu Dayue Road No. 6 Parcel	Shaoxing	83,607	209,018	96,132	112,885	50%
83	Ningbo Panhuo Parcel	Ningbo	72,883	220,652	80,321	16,709	100%
84	Hangzhou Tianmu Medical Parcel	Hangzhou	81,088	248,885	99,694	118,442	67%
85	Diamond Avenue Parcel	Xiangyang	36,290	108,870	43,633	65,237	100%
86	Hangzhou Jianqiao Project	Hangzhou	50,977	239,259	95,319	57,612	100%
87	Huangyan District Cuihua Street, West Luming Road Parcel	Taizhou	43,159	115,897	86,318	–	100%
88	Ningbo Jiangbei Cicheng Complex	Ningbo	67,110	295,818	194,244	–	100%
Subtotal			4,384,564	9,871,556	4,186,068	801,662	

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[(2)]	GFA Under Development	Planned GFA[(3)]	Interest Attributable to Us[(4)]
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Shandong District							
89	Qingdao Shimao Noble Town	Qingdao	931,583	1,779,043	–	28,607	100%
90	Jianan Xiaoya Parcel	Jinan	70,657	278,712	207,310	–	45%
91	Jinan Zhangqiu Middle School Parcel	Jinan	212,203	424,406	424,406	–	33%
92	Jinan Huaiyin District Meili Road Parcel	Jinan	50,625	131,625	38,000	9,869	50%
93	Zhangqiu Nanbu Project	Jinan	93,666	112,399	112,399	–	60%
94	Jinan Jiyang Chengbo Lake	Jinan	242,617	419,711	49,140	58,189	70%
95	Jinan Zhangqiu Fukang	Jinan	42,013	75,623	27,237	–	100%
96	Zibo Honglian Lake	Zibo	54,000	108,000	108,000	–	45%
97	Qingdao Hitech District Parcel	Qingdao	72,846	131,123	62,967	–	100%
98	Qingdao Shimao International Plaza	Qingdao	86,940	247,433	13,725	35	100%
99	Qingdao Shimao Noosa Bay	Qingdao	316,032	623,485	75,719	–	100%
100	Qingdao Shimao Shi'ao Tower	Qingdao	21,446	137,119	137,119	–	75%
101	Jinan Shimao Skyscraper City	Jinan	130,592	842,956	–	64,907	100%
102	Taihu Road Parcel	Jiaozhou	42,358	84,716	27,587	34,307	51%
103	Changqing Dongwang Parcel	Jinan	93,149	235,667	4,720	6,307	100%
104	Xinyang Nanhu Project	Xinyang	57,542	92,084	31,652	2,121	80%
105	Weifang Geer Parcel	Weifang	205,833	424,336	173,469	47,388	80%
106	Shandong Pingdu Parcel	Pingdu	50,987	91,777	91,777	–	41%
107	Zhengzhou Xingyang No. 14-3 Project	Xingyang	46,691	116,726	78,900	37,826	33%
108	Jichuang Project	Jinan	185,346	422,589	375,019	47,570	50%
109	Jinan Changqing Dongwang A3/B1 Parcel	Jinan	84,898	227,552	186,813	31,667	100%
110	Xincheng No. 9 and No. 7 Parcel	Tai'an	163,070	446,274	264,337	33,255	51%
111	Tianping Lake Parcel	Tai'an	97,148	106,863	106,312	551	31%
112	Zibo CBD Cultural Center	Zibo	90,689	690,000	424,227	77,603	50%
113	Zhongyang Park No. D and E Parcel	Qingdao	150,088	266,787	115,675	–	100%
114	Haier Century Residence Project	Tianjin	234,108	260,295	251,054	9,241	60%
115	Xiamen Huaxi Project	Xiamen	58,651	149,720	57,224	682	60%
116	Xiamen Yun Street Project	Xiamen	35,117	126,420	54,633	–	50%
117	Yunhe Project Phase IV Project	Dezhou	60,390	163,052	134,396	85	40%
118	Jiaozhou Center	Jiaozhou	58,772	158,684	38,397	113,004	51%
119	Huancui Yangting Project	Weihai	65,166	110,782	49,306	54,711	80%
Subtotal			4,105,223	9,485,961	3,721,520	657,925	

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[2]	GFA Under Development	Planned GFA[3]	Interest Attributable to Us[4]
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Jiangsu and Shanghai District							
120	Changzhou Shimao Champagne Lake	Changzhou	853,835	1,433,954	546	–	100%
121	Wuxi Shimao The Capital	Wuxi	232,965	1,121,975	563,657	–	50%
122	Wuxi Luoshe New City	Wuxi	30,726	67,598	11,228	–	51%
123	Nanjing Jiangwan New City Project	Nanjing	657,494	1,888,040	1,872,342	–	51%
124	Nantong Shimao Lohas City	Nantong	375,462	1,103,428	19,710	–	50%
125	Jiangyin Shimao Dragon Bay	Jiangyin	764,453	1,156,465	61,033	–	100%
126	Shanghai Nanjing Road Project	Shanghai	20,290	66,096	66,096	–	45%
127	Shanghai North Bund Project	Shanghai	4,988	37,968	35,861	–	51%
128	Shanghai Luojing Project	Shanghai	62,848	100,556	100,556	–	51%
129	Suzhou Yuanhe Street Project	Suzhou	112,119	280,298	280,298	–	25%
130	Shanghai Baoshan Luodian Parcel	Shanghai	89,155	136,852	136,852	–	23%
131	Kunshan Commercial and Residential Parcel	Kunshan	120,263	360,000	360,000	–	50%
132	Kunshan Commercial Parcel	Kunshan	40,000	66,000	66,000	–	50%
133	Huzhou Lianshi Central Primary School South Parcel	Huzhou	63,846	127,692	87,257	–	100%
134	Yixing Economic Development Zone	Yixing	43,919	87,838	156	–	100%
135	Changshu Shenzhen Road Project	Changshu	56,936	113,872	26,437	–	50%
136	Changshu Xinzhuang Street Project	Changshu	15,376	30,752	10,318	–	100%
137	Changshu Fanrong Road Project	Changshu	69,147	138,294	44,818	–	50%
138	Yancheng Project	Yancheng	145,452	290,904	40,610	–	60%
139	Wuxi North Bus Station	Wuxi	10,672	30,949	30,949	–	50%
140	Nanjing Straits City	Nanjing	314,992	1,121,745	82,769	–	100%
141	Nanjing Shimao Bund New City	Nanjing	428,085	1,660,937	165,956	–	100%
142	Nanjing Jianye Jiangdong Project 5	Nanjing	67,172	540,000	421,808	–	57%
143	Nanjing Pukou G24 Parcel	Nanjing	100,482	251,206	142,055	–	50%
144	Changshu Shimao The Centre	Changshu	278,527	914,831	89,240	–	100%
145	Changzhou Project (Commercial)	Changzhou	65,849	231,873	33,209	–	100%
146	Kunshan (Hotel)	Kunshan	25,787	64,467	64,467	–	100%
147	Suzhou Shimao Bronze Swallow Terrace	Suzhou	153,221	194,905	46,357	–	100%
148	Nanjing Yuhua Xishanqiao Street Project	Nanjing	42,504	168,798	55,924	–	51%
149	Wuxi Lihu Road Parcel	Wuxi	16,042	55,341	831	–	100%
150	Zhenjiang Runzhou Project	Zhenjiang	64,448	116,006	116,006	–	85%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[(2)]	GFA Under Development	Planned GFA[(3)]	Interest Attributable to Us[(4)]
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
151	Taizhou Tiantai Project	Taizhou	53,890	80,835	21,831	–	51%
152	Changzhou Dingtangwan Project	Changzhou	141,724	283,448	283,448	–	49%
153	Nanjing G30 Parcel	Nanjing	98,496	177,293	177,293	–	34%
154	Zhangjiagang Dongan Road	Zhangjiagang	12,959	25,918	25,918	–	30%
155	Huaibei Xiangshan Parcel	Huaibei	130,623	300,592	68,487	–	100%
156	Haian No. 001 Parcel	Haian	77,755	155,510	155,510	–	51%
157	Nantong Laiyin Project	Nantong	99,293	148,939	52,372	–	100%
158	Yangzhou Hanjiang District Parcel	Yangzhou	111,191	144,548	144,548	–	60%
159	Fuyang Yingdong Xiangyang Road Parcel	Fuyang	112,343	247,155	247,155	–	100%
160	Nanjing Qixia District Raohua Street Xingzhi Tech City No. Parcel	Nanjing	19,656	592,969	565,863	–	45%
161	Jiading Nanxiang Town, JDC2-0202 Parcel	Shanghai	21,899	39,419	39,419	–	49%
162	Xuzhou Gulou Guishan 8-2, 8-3 Parcel	Xuzhou	53,671	85,536	59,943	25,565	51%
163	G2 Parcel, Banqiao market, Banqiao Street, Yuhuatai District, Nanjing	Nanjing	60,088	148,743	77,169	71,545	33%
164	Yangzhou GZ189 Parcel	Nanjing	34,312	62,350	48,150	14,200	34%
165	Xuzhou Suining City	Xuzhou	51,368	128,421	57,723	–	46%
166	Peixian Nazhuang Parcel 9	Xuzhou	37,644	94,110	93,109	–	100%
167	Nanchang Shimao APM Project	Nanchang	147,087	372,590	59,998	–	100%
168	Nanchang Shimao The Grand View	Nanchang	129,921	404,124	11,670	–	100%
169	Jiangxi Ji'an Guhou River Project	Ji'an	47,700	85,943	10,156	–	100%
170	Hangzhou Dachengxiaoyuan Project	Hangzhou	50,578	252,892	187,725	38,523	30%
171	Huainan Dongshan Swanlake Project	Huainan	69,705	348,524	217,385	131,139	20%
172	Huainan Park Swanlake Project	Huainan	149,924	749,622	445,868	222,642	80%
173	Fuzhou Nancheng Jade City	Fuzhou	48,402	242,011	191,324	50,688	34%
174	Ganzhou A1A3 Parcel	Ganzhou	89,248	179,000	127,294	30,948	51%
175	Hefei CF2020-02 Parcel	Hefei	62,635	112,743	42,700	9,842	51%
176	Fuzhou Dongling Project	Fuzhou	118,525	118,525	82,638	35,888	49%
177	Fuyang YS2019-09 Parcel	Fuyang	47,997	95,993	68,303	–	51%
178	Fuyang YS2019-10 Parcel	Fuyang	49,037	98,074	46,914	32,878	51%
179	Fuyang YS2019-11 Parcel	Fuyang	44,147	88,294	87,414	880	49%
180	Fuyang YS2019-12 Parcel	Fuyang	41,552	83,103	83,103	–	49%
181	Hefei CF2020-01 Parcel	Hefei	26,853	48,335	48,335	–	100%
182	Jiujiang Middle Yikang Road Parcel	Jiujiang	74,106	148,212	31,770	23,879	51%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[(2)]	GFA Under Development	Planned GFA[(3)]	Interest Attributable to Us[(4)]
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
183	Dingwanhe Parcel B	Xuzhou	30,955	43,647	10,360	9,585	100%
184	Nanchang DACJ2020014 Parcel	Nanchang	28,423	71,058	12,460	15,419	51%
185	Nanchang DAK2020019 Parcel	Nanchang	46,227	110,945	82,706	28,238	33%
186	Nanchang DAK2020020 Parcel	Nanchang	47,327	132,516	132,516	–	34%
187	Zhangjiagang Zhangdi 2008-A04-F Parcel	Zhangjiagang	16,341	29,414	-1,227	30,641	100%
188	Yancheng Nanhai Future City	Yancheng	59,657	167,040	167,040	–	60%
Subtotal			7,870,314	20,658,030	9,297,734	772,499	
Central China District							
189	Wuhan Shimao Splendid River	Wuhan	574,758	2,027,901	473,795	16,055	100%
190	Changsha Shimao Brillianate Bay	Changsha	156,626	670,719	76,934	–	50%
191	Wuhan Baishazhou Shimao Cloud Value	Wuhan	93,447	464,140	13,500	7,017	52%
192	Hefei Gaoxin Project	Hefei	158,567	366,685	64,071	43,392	51%
193	Wuhan Caidian Parcel 1-3	Wuhan	374,172	149,669	147,483	–	100%
194	Wuhan Shimao Carnival	Wuhan	127,310	50,924	50,924	–	100%
195	Changsha Zhengyuan	Changsha	83,810	259,994	256,269	3,725	55%
196	Jingzhou New Port	Jingzhou	107,232	249,619	125,345	124,274	60%
197	Jingmen Zhanghe New District Project	Jingmen	291,481	785,433	252,345	299,826	51%
198	Zhengzhou Guancheng District Jinluowan Project	Zhengzhou	71,320	551,113	271,910	247,697	51%
199	Zhengzhou Changxi Lake Project	Zhengzhou	283,450	566,900	41,278	374,360	50%
200	Changsha Shimao Plaza	Changsha	13,827	230,299	27,206	86,178	100%
201	Wuhan Shimao Carnival	Wuhan	1,995,679	985,163	488,983	–	100%
202	Hefei Changfeng Project	Hefei	92,575	185,150	154,751	30,399	100%
203	Hefei Chaohu Project	Hefei	66,650	119,977	57,515	62,462	40%
204	Anqing Yixiu District Parcel	Anqing	80,587	161,173	64,515	87,897	34%
205	Xuancheng Hubin Road Parcel	Xuanchen	79,671	127,474	109,070	18,403	49%
206	Jingzhou New Port	Jingzhou	107,232	60,807	60,807	–	51%
207	Zhangjiajie 2019-67 Parcel	Zhangjiajie	159,468	457,891	83,803	322,984	50%
208	Wuhan Zuoling Project	Wuhan	89,546	268,495	215,940	52,555	30%
209	Zhengzhou (2020) No. 1 Parcel	Zhengzhou	48,006	95,724	82,308	13,416	69%
198	Zhengzhou Guancheng District Jinluowan Project	Zhengzhou	71,320	551,113	271,910	247,697	51%
199	Zhengzhou Changxi Lake Project	Zhengzhou	283,450	566,900	41,278	374,360	50%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[2]	GFA Under Development	Planned GFA[3]	Interest Attributable to Us[4]
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
200	Changsha Shimao Plaza	Changsha	13,827	230,299	27,206	86,178	100%
201	Wuhan Shimao Carnival	Wuhan	1,995,679	985,163	488,983	–	100%
202	Hefei Changfeng Project	Hefei	92,575	185,150	154,751	30,399	100%
203	Hefei Chaohu Project	Hefei	66,650	119,977	57,515	62,462	40%
204	Anqing Yixiu District Parcel	Anqing	80,587	161,173	64,515	87,897	34%
205	Xuancheng Hubin Road Parcel	Xuanchen	79,671	127,474	109,070	18,403	49%
206	Jingzhou New Port	Jingzhou	107,232	60,807	60,807	–	51%
207	Zhangjiajie 2019-67 Parcel	Zhangjiajie	159,468	457,891	83,803	322,984	50%
208	Wuhan Zuoling Project	Wuhan	89,546	268,495	215,940	52,555	30%
209	Zhengzhou (2020) No. 1 Parcel	Zhengzhou	48,006	95,724	82,308	13,416	69%
210	Jingzhou Nanhu Project	Jingzhou	122,133	340,750	213,038	127,712	51%
211	Xiangyang Crape Myrtle Garden	Xiangyang	86,674	87,540	44,522	40,551	100%
212	Quzhou Smart New Town Qianjiashan Parcel	Quzhou	110,833	141,866	111,895	29,971	50%
213	Changsha Wang Gua No. 129	Changsha	22,662	140,644	1,446	111,862	100%
Subtotal			5,397,715	9,546,051	3,489,654	2,100,736	
Western District							
214	Chengdu Shimao City Project	Chengdu	568,357	2,048,064	–	33,087	100%
215	Yinchuan Zhuanqu Project	Yinchuan	123,814	361,867	–	85	100%
216	Yinchuan Yuehai Project B	Yinchuan	136,825	344,086	4,662	–	51%
217	Yinchuan Yuehai Parcel 59	Yinchuan	165,334	331,801	253,888	–	100%
218	Xi'an Fengcheng Road Project	Xi'an	847,956	2,543,867	13,373	166,671	56%
219	Jianyang Sancha Lake	Jianyang	238,715	118,654	2,295	108,286	100%
220	Chengdu Baohe Project	Chengdu	18,799	120,923	23,281	489	100%
221	Chongqing Shimao Luxury Mansion	Chongqing	266,206	970,979	34,266	2,598	100%
222	Xi'an Lijun Future City	Xi'an	255,050	811,000	703,617	54,747	45%
223	Deyang 60 Acres Project	Deyang	40,148	132,441	64,373	773	100%
224	Yinchuan Gongyong Garden East Parcel	Yinchuan	35,125	42,150	2,911	13	100%
225	Chongqing Runyijiang Project	Chongqing	241,467	516,700	47,772	11,990	50%
226	Jintang Jinying Road	Jintang	26,401	66,001	64,673	1,327	100%
227	Luzhou Yunfeng Road Project	Luzhou	121,889	274,264	126,311	–	100%
228	Neijiang South Hongpai Road	Neijiang	69,569	173,923	76,371	97,552	60%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[2]	GFA Under Development	Planned GFA[3]	Interest Attributable to Us[4]
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
229	Lanzhou Yinhe International Project	Lanzhou	119,808	309,261	11,597	–	50%
230	Lanzhou Qilihe Project	Lanzhou	59,695	196,993	3,658	31,493	50%
231	Kunming Guandu Project	Kunming	36,127	380,439	121,278	138,522	51%
232	Kunming Wujiaba Project	Kunming	118,277	163,031	104,957	143	100%
233	Mianyang Puming Project	Mianyang	184,958	190,800	46,814	4,355	100%
234	Chongqing Pengshui Project	Pengshui	109,905	329,715	102,714	169,240	51%
235	Hanzhou East Jiangnan Road Project	Hanzhong	70,216	200,871	97,059	103,812	30%
236	Chongqing Wanzhou Project	Chongqing	143,463	537,906	74,125	327,026	60%
237	Baotou Kunbei District Project	Baotou	111,501	223,002	45,021	86,234	100%
238	Chongqing Dadukou Project	Chongqing	75,236	150,109	114,582	35,527	34%
239	Tianshui Project	Tianshui	111,061	514,482	93,703	152,915	51%
240	Chengdu 80-ACRE Project	Chengdu	53,346	160,039	160,039	–	30%
241	Yibin Project	Yibin	64,848	249,669	210,141	13,947	51%
242	Ziyang Ziyue Mansion	Ziyang	70,898	141,795	125,168	16,627	100%
243	Qidi Meishan Tech Garden	Meishan	117,904	212,227	95,176	117,052	35%
244	Kundu District No.30 Parcel	Baotou	74,033	170,275	–	170,275	100%
245	Anjing 165 Acres Project	Chengdu	110,184	265,117	52,890	212,228	100%
246	A3 Parcel, Tianshui County Project, Tianshui City	Tianshui	16,519	56,154	56,154	–	51%
Subtotal			4,803,632	13,308,605	2,932,869	2,057,015	
Straits-Xiamen Operations Centre							
247	Fuzhou Pingtan Straits Future City	Fuzhou	847,457	2,241,881	61,230	84,907	100%
248	Fuzhou Nantong Village Project	Fuzhou	62,224	285,347	1,025	–	100%
249	Fuzhou Guling Ebi Project	Fuzhou	502,848	372,146	795	–	100%
250	Xiamen Tongan TP01 Project	Xiamen	84,447	157,500	155,551	–	49%
251	Quanzhou Luojiang Parcel	Quanzhou	91,156	303,911	36,835	34,662	50%
252	Fuzhou Licuoshan Parcel	Fuzhou	38,677	112,407	6,454	–	100%
253	Shishi Project	Shishi	1,374,813	3,263,120	326,573	147,209	100%
254	Taishang Project	Quanzhou	372,670	811,402	76,591	7,836	54%
255	Xiamen Shimao Lakeside Garden	Xiamen	137,170	560,517	30,831	–	100%
256	Xiamen Xiangan Project	Xiamen	90,981	349,737	57,118	–	100%
257	Xiamen Jimei Project	Xiamen	113,872	545,554	159,362	76,059	70%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project(2)	GFA Under Development	Planned GFA(3)	Interest Attributable to Us(4)
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
258	Yu Resort Mount Wuyi	Wuyishan	111,888	27,795	27,795	–	100%
259	Xiamen Xiang'an XP13 Parcels	Xiamen	17,126	34,300	20,514	–	50%
260	Xiamen Xiang'an XP14 Parcels	Xiamen	11,171	33,500	33,500	–	97%
261	Fuzhou Changle Jinfeng Town Parcel 4	Fuzhou	47,411	115,500	102,787	–	65%
262	Fuzhou Fuqing Parcel 3	Fuzhou	49,315	137,841	53,456	–	100%
263	Xiamen Tongan Project	Xiamen	54,164	119,160	119,160	–	34%
264	Zhangzhou Changtai Longren	Zhangzhou	372,870	447,444	318,526	26,875	65%
265	Fuzhou Jin'an District Houlong Community Parcel 2	Fuzhou	15,988	19,186	19,176	–	65%
266	Fuzhou Yongtai Project	Fuzhou	516,719	768,220	368,728	41,169	40%
267	Quanzhou Nan'an Downtown Fanhua Project	Nan'an	110,422	403,132	96,047	–	55%
268	Fuzhou City 108 Building Project	Fuzhou	28,518	313,698	313,698	–	70%
269	Quanzhou Nan'an Guanqiao Aileyufu Project	Quanzhou	94,680	151,329	93,051	58,278	26%
270	Tongan Project 04	Xiamen	38,239	88,100	37,344	–	50%
271	Fuzhou Cangshan Sanjiangkou Project	Fuzhou	81,700	187,910	187,910	–	34%
272	Longyan Shanghang Honor Project	Longyan	24,796	60,750	4,513	–	51%
273	Fuzhou Jinan No. 57 and 58 Project	Fuzhou	68,817	151,397	116,947	–	80%
274	Longwen District Minnan Watertown Parcel 5	Zhangzhou	111,275	333,826	319,964	–	100%
275	Longwen District An'deguang Parcel	Zhangzhou	28,060	202,957	20,360	181,125	51%
276	Zhangzhou Danxia Parcel	Zhangzhou	38,139	95,347	3,657	91,690	30%
277	Phase II of Quanzhou Yuexin	Quanzhou	26,300	108,381	108,381	–	61%
278	Quanzhou Taishan Project	Quanzhou	179,940	482,412	–	32,375	34%
279	Longyan Dongshan Project	Longyan	28,675	63,085	63,085	–	60%
280	Putian Compound	Putian	96,749	152,258	69,156	–	57%
281	Jinjiang Xintang Project	Quanzhou	89,544	268,632	103,068	1,965	24%
282	Fuzhou 2018-01 Parcel	Fuzhou	105,422	231,902	231,902	–	20%
283	Fuzhou 2018-03 Parcel	Fuzhou	21,256	51,009	42,417	–	100%
284	Nanping High Speed Rail New Area Project	Nanping	48,319	125,629	1,264	–	100%
285	Nanping 2011-J-07 Project	Nanping	135,300	170,414	130,414	40,000	30%
286	Xiamen X2017P07 (Xiang'an Xinwei) Project	Xiamen	30,600	45,880	45,880	–	100%
287	Nanping Yanping 2018-J-1 Project	Nanping	32,699	67,680	39,794	–	42%
288	Fuzhou Minqing New City	Minqing	60,467	120,934	585	–	20%
289	Quanzhou Julong Town	Quanzhou	118,548	255,737	175,505	–	26%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[(2)]	GFA Under Development	Planned GFA[(3)]	Interest Attributable to Us[(4)]
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
290	Jinjiang 2017-38 (Neikeng) Project	Jinjiang	71,252	137,104	137,104	–	25%
291	Xiamen Caihai Project	Xiamen	38,854	116,000	116,000	–	25%
292	Fu'an Wanyu Jinlan Bay	Ningde	36,916	132,898	80,291	–	50%
293	Longyan Dongxiao Parcel 11	Longyan	30,965	89,799	33,042	–	57%
294	Fuzhou Jinan Helin Parcel	Fuzhou	65,666	131,332	882	–	33%
295	Huian Parcel 4	Hui'an	22,927	59,610	7,790	680	20%
296	Huian Parcel 6	Hui'an	26,195	68,107	67,694	413	20%
297	Longyan Lianjiang Culu Island Project	Longyan	115,699	183,204	165,075	–	90%
298	Shaxian Changxing Road Parcel	Sanming	58,815	118,806	52,883	–	55%
299	Fuqing Parcel 19	Fuqing	49,504	158,413	158,413	–	11%
300	Fuqing Parcel 20	Fuqing	36,757	121,298	34,275	–	51%
301	Fuqing Parcel 21	Fuqing	26,133	86,239	21,195	–	51%
302	Jinjiang P2018-26 Parcel	Jinjiang	44,442	97,589	97,589	–	25%
303	Zhangzhou Datang Andeguang	Zhangzhou	75,975	136,754	40,970	–	19%
304	Quanzhou Nanan Guanqiao	Quanzhou	81,240	211,224	189,720	–	40%
305	Fuzhou Minhou Hitech	Minhou	30,423	106,195	53,977	–	65%
306	Zhangzhou Datang Project	Zhangzhou	53,338	149,347	149,347	–	19%
307	Jinjiang P2017-23 Project	Jinjiang	30,773	92,319	92,319	–	45%
308	Zhangzhou Zhongliang Andeguang	Zhangzhou	45,218	117,568	117,568	–	10%
309	Hainan Wenchang Shimao Moonriver	Wenchang	797,747	577,518	90,907	–	100%
310	Xiamen Shimao Straits Mansion	Xiamen	30,543	343,547	324	–	100%
311	Putian Xiuyu Project	Putian	110,537	243,974	138,119	176	51%
312	Fuzhou Mazongdi Project	Fuzhou	21,212	67,877	67,877	–	50%
313	Nanning GC2019-017 Project	Nanning	32,074	80,185	80,185	–	49%
314	Fuzhou Jinan Cangshan Project	Fuzhou	99,879	206,090	169,076	–	100%
315	Fuzhou Changle Project	Fuzhou	233,687	49,449	16,053	–	100%
316	Zhangzhou Hongshuwan Project	Zhangzhou	157,243	370,629	370,629	–	40%
317	Nanchang Yinmenghu Project	Nanchang	805,624	871,628	843,256	–	51%
318	Nanping Jianyang Project	Nanping	636,936	127,872	6,246	–	33%
319	Fuzhou Jinan Puxia Parcel	Fuzhou	42,312	128,769	128,769	–	20%
320	Guangzhou Foshan Yard	Guangzhou	120,700	481,500	49,457	5,430	80%
321	Foshan Zengcheng Project	Guangzhou	707,171	1,074,707	593,925	289,504	40%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[(2)]	GFA Under Development	Planned GFA[(3)]	Interest Attributable to Us[(4)]
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
322	Ningde Fuanhu Project	Ningde	68,780	171,950	61,787	–	60%
323	Putian 2019-14 Parcel	Putian	20,012	56,034	56,034	–	49%
324	Fuzhou Yongtai 2019-09 Parcel	Yongtai	63,023	151,255	62,064	–	80%
325	Shenzhen Longgang Xianhe Project	Shenzhen	145,872	270,149	21,200	248,949	20%
326	Guangzhou Swanlake Phase II	Guangzhou	10,226	47,007	4,029	–	100%
327	Jiangmen Yinhuwan Project	Jiangmen	140,000	700,000	215,287	484,713	70%
328	Fuzhou Lianjiang Parcel	Lianjiang	36,590	87,816	79,017	–	35%
329	Ningde 2019P01 Parcel	Ningde	122,223	298,500	–	2,370	40%
330	Zhangzhou Xiangshanwan Project	Zhangzhou	260,939	879,417	518,614	360,803	30%
331	Fuzhou Qingyun Town Project	Fuzhou	288,475	349,874	244,576	105,298	50%
332	Pingtan G045 Project	Pingtan	57,236	114,472	36,889	–	60%
333	Fuqing Huayuan Parcel	Fuqing	56,305	157,654	128,474	4,201	45%
334	Wuxi Shimao International City	Fuzhou	68,473	136,946	65,040	–	100%
335	Zhangzhou Dongshan No. 1 Parcel	Dongshan	46,225	115,563	12,513	2,680	60%
336	Shenzhen Futian Meilin Project	Shenzhen	15,206	76,030	61,030	15,000	0%
337	Shenzhen Longhua Project	Shenzhen	59,948	299,738	–	299,738	51%
338	Quanzhou 2019 No,16 Parcel	Quanzhou	11,136	304,454	262,891	–	75%
339	Quanzhou 2019 No,19 Parcel	Quanzhou	22,739	34,109	14,205	–	75%
340	Quanzhou 2019 No,19 Parcel	Quanzhou	43,500	65,250	65,250	–	75%
341	Quanzhou Hui'an 2019-17 Parcel	Quanzhou	37,058	85,233	-558,790	644,023	51%
342	Quanzhou Hui'an 2019-20 Parcel	Quanzhou	16,300	13,040	13,040	–	51%
343	Quanzhou Hui'an 2019-22 Parcel	Quanzhou	13,207	10,566	10,566	–	51%
344	Quanzhou Hui'an 2019-23 Parcel	Quanzhou	50,194	75,291	75,291	–	51%
345	Quanzhou Hui'an 2019-24 Parcel	Quanzhou	29,663	68,225	68,225	–	51%
346	Quanzhou Hui'an 2019-25 Parcel	Quanzhou	27,441	65,858	65,858	–	51%
347	Nanping Jianyang B14-3 Parcel	Nanping	69,078	138,156	–	110,454	60%
348	Ningde Xiapu 2019-10 Parcel	Ningde	68,444	150,576	45,967	–	51%
349	Zhangzhou Longhai West Parcel	Zhangzhou	28,246	81,913	73,940	7,973	100%
350	Zhangzhou Longhai South Parcel	Zhangzhou	12,453	31,132	29,247	1,885	49%
351	Zhengzhou 2019-52-1 Parcel	Zhengzhou	31,275	62,550	62,550	–	51%
352	Zhengzhou 2019-52-2 Parcel	Zhengzhou	22,288	44,577	44,577	–	51%
353	Zhengzhou 2019-52-3 Parcel	Zhengzhou	37,292	130,524	–	130,524	50%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[(2)]	GFA Under Development	Planned GFA[(3)]	Interest Attributable to Us[(4)]
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
354	Zhangzhou 2020P02 Project	Zhangzhou	34,738	38,213	11,602	19,525	100%
355	Fuqing 2020-3 Parcel	Fuqing	113,059	282,648	–	180,096	34%
356	Haikoou Huwan Project	Haikou	52,000	137,103	73,648	63,455	50%
357	Haikou Lanxin Project	Haikou	122,300	225,146	–	225,146	50%
358	Fuzhou Changle No.8 Parcel	Fuzhou	43,252	99,480	–	46,245	50%
359	Fuzhou 2020-15 Parcel	Fuzhou	50,789	126,973	84,059	12,053	40%
360	Fuzhou 2020-16 Parcel	Fuzhou	35,507	86,992	41,874	27,064	50%
361	Fuzhou 2020-19 Parcel	Fuzhou	42,420	101,808	91,923	9,885	33%
362	Zhangzhou Zhao'an P2018-02 Parcel	Zhangzhou	43,047	124,837	78,052	2,625	60%
363	Sanming Shaxian Changxing Parcel	Sanming	53,688	96,638	5,704	16,725	60%
364	Parcel II of Difengjiang, Fuzhou	Fuzhou	379,392	519,768	–	470,038	51%
365	Pingtan Dalian Island Yangding Parcel	Pingtan	79,635	83,617	83,617	–	100%
366	Pingtan Dalian Island Jucun Parcel	Pingtan	139,998	146,998	–	146,998	100%
367	Longyan 2020-6 Parcel	Longyan	26,197	62,873	62,873	–	34%
368	Hangzhou Lin'an Project	Hangzhou	310,473	310,463	56,315	–	100%
369	Hangzhou Jiangcun Project	Hangzhou	76,439	183,454	117,565	12,242	90%
370	Nanchang Yuanzi Project	Nanchang	133,808	141,341	141,341	–	34%
371	Zhongshan Tiandi Project	Zhongshan	289,533	352,983	287,347	–	49%
372	Huai'an Eco-city Project	Huai'an	115,295	370,806	51,255	–	51%
373	Zhengzhou Xinglong City	Zhengzhou	53,589	325,774	108,617	–	32%
374	Zhongshan Fusha Project	Zhongshan	52,955	158,865	158,865	–	51%
375	Sanya Yuchuanwan A Parcel	Sanya	15,953	47,860	–	47,860	100%
376	Changting Nanli B25 Parcel, B20 Parcel	Longyan	61,994	142,841	19,127	123,714	30%
377	Ningde Liancheng Road P02 Parcel	Ningde	45,935	105,651	105,651	–	30%
378	Ningde Liancheng Road P03 Parcel	Ningde	35,693	78,525	78,525	–	30%
379	Ningde Liancheng Road P04 Parcel	Ningde	72,319	166,333	166,333	–	30%
380	Sanya Yuchuanwan BCD Parcel	Sanya	55,034	165,103	–	165,103	100%
381	Shenzhen Henggang Laojie Project	Shenzhen	109,700	750,000	750,000	–	25%
382	Hong Kong Tung Chung Project	Hong Kong	12,902	56,715	56,715	–	100%
383	Hong Kong Kowloon Tai Wo Ping Project	Hong Kong	20,401	58,750	58,750	–	100%
384	Hong Kong Kowloon Parcel 6549	Hong Kong	19,348	91,770	91,770	–	23%
385	Guangzhou Zengcheng Project	Guangzhou	86,417	300,000	212,456	–	33%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project(2)	GFA Under Development	Planned GFA(3)	Interest Attributable to Us(4)
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
386	Foshan Lvdao Lake Project	Foshan	33,557	83,891	83,891	–	50%
387	Foshan Chancheng Project 3	Foshan	55,009	192,530	191,017	1,513	50%
388	Shenzhen Longgang Project	Shenzhen	321,946	1,364,500	396,702	801,770	70%
389	Foshan Chancheng Project 4	Foshan	22,855	79,990	79,990	–	50%
390	Shenzhen Pingshan Centre	Shenzhen	30,669	182,000	115,475	45,900	60%
391	Guangdong Huidong Qingyun	Huizhou	49,407	152,545	21,850	–	51%
392	Guangzhou Finance City	Guangzhou	27,595	414,255	335,326	20,620	33%
393	Guangzhou Asian Games City	Guangzhou	2,521,022	5,849,183	379,653	891,665	27%
394	Jiangmen Taishan	Jiangmen	650,000	885,747	127,437	741,679	75%
395	Chongqing Zhongmin Aipu Project	Chongqing	159,713	798,566	597,536	201,030	50%
396	Chongqing Banan Project	Chongqing	56,000	280,000	265,820	14,180	50%
397	Zhuhai Gangzhuao Bridge Project	Zhuhai	225,563	967,708	827,547	–	100%
398	Dongguan Wanjiang Project	Dongguan	27,866	97,530	17,666	–	34%
399	Foshan Lvaohu Project	Foshan	51,240	153,719	–	153,719	67%
400	Dongguan Shatian Project	Dongguan	50,375	125,937	89,434	1,000	34%
401	Foshan Shunde Project	Foshan	50,038	125,095	82,534	20,781	100%
402	Dongguan Humen Project	Dongguan	60,512	151,280	145,727	5,553	49%
403	Shunde Daliang Street Parcel	Foshan	83,675	251,026	81,297	169,729	25%
404	Jiangmen Xinhui Project	Jiangmen	71,787	211,319	211,250	–	50%
405	Nanning Wuxiangzetan Project	Nanning	159,991	639,964	639,964	–	33%
406	Nanning Shimao Longgang Garden	Nanning	86,515	375,105	1,516	–	100%
407	Nanning Shimao International Plaza	Nanning	116,440	270,717	270,717	–	50%
408	Nanning GC2019-016 Project	Nanning	22,969	57,423	57,423	–	40%
409	Nanning Datang	Nanning	52,040	156,119	156,119	–	43%
410	Nanning Datang Second-hand Goods Market Parcel	Nanning	24,786	86,750	1,354	–	15%
411	Nanning Datang Zhenguan	Nanning	45,581	137,577	126,704	–	15%
412	Maoming WG2019-055 Parcel	Maoming	114,492	258,546	168,674	89,871	100%
413	Zhaoqing Sihui Project	Zhaoqing	54,394	166,304	74,737	24,343	50%
414	Zhaoqing YS01008 YS1009-2 Project	Zhaoqing	63,276	164,574	162,078	–	100%
415	Liuzhou 63-ACRE Project	Guigang	42,052	147,182	–	147,182	35%
416	Gangbei Yinbin Street	Guigang	32,760	131,038	107,523	23,515	10%
417	Guigang Guilin Road Project	Guigang	45,229	135,688	–	38,177	10%

No.	Project Name	Location	Site Area	Aggregate GFA for Entire Project[2]	GFA Under Development	Planned GFA[3]	Interest Attributable to Us[4]
			(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
418	Zhaoqing Duanzhou Project	Zhaoqing	107,538	397,575	248,231	47,699	100%
419	Shaoguan Parcel	Shaoguan	46,798	134,455	–	134,455	100%
420	Maoming Zhannan Parcel	Maoming	13,361	60,136	–	52,662	100%
421	Wenzhou Zhannan Project	Maoming	22,697	68,092	66,196	1,896	51%
422	Duanzhou District Hetan No. Parcel	Zhaoqing	150,238	493,833	–	493,833	100%
423	Qingcheng District Zhouxin Street B48 Parcel	Qingyuan	34,446	103,337	50,123	50,531	100%
424	Longyan City P20 Parcel	Longyan	36,278	72,556	72,556	–	30%
Subtotal			21,832,557	49,414,394	19,439,327	9,282,042	
Total			59,989,601	133,210,748	50,701,259	22,125,345	72,826,604
Attributable GFA[5]					29,199,127	15,010,098	44,209,225

Notes:

(1) We combine the residential portion and the commercial portion of various projects, i.e. we treat them as one project instead of two, and we may have different calculations for different purposes.

(2) "Aggregate GFA for Entire Project" includes completed properties sold.

(3) "Planned GFA" includes "Land Use Rights Not Yet Obtained."

(4) For projects held by Shanghai Shimao, interest attributable to us is referring to the interest attributable to Shanghai Shimao.

(5) "Attributable GFA" represents the portion of the GFA which is attributable to us, based on our interest in the relevant projects.

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive use properties. The relevant authorities will not issue a formal land use rights certificate in respect of a piece of land until we (i) pay the land premium in full; (ii) satisfy all conditions under the land grant contract according to applicable laws and regulations, and (iii) pay in full the relevant taxes and fees. As a result, according to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

The site area information for an entire project is based on either the relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. The aggregate GFA of a project includes saleable and non-saleable GFA, car parking spaces as well as rentable and hotel GFA. "Saleable GFA" represents the GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project. "Non-saleable GFA" represents the GFA of a property which is not for sale and largely includes ancillary facilities such as clubhouses and schools. "Rentable GFA" refers to the GFA that is held for investment and is available for rental purposes and "hotel GFA" refers to the GFA of the relevant hotel subject to hotel management.

The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. The following information that appear in this offering memorandum are based on our internal records and estimates: (a) figures for GFA under development, GFA held for future development, GFA sold and unsold, saleable GFA, non-saleable GFA, rentable GFA and hotel GFA, and (b) information regarding planned completion date and number of units. The information setting out the construction period for the completed blocks or phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

Properties are sold when the purchase contract with a customer has been executed and the properties have been delivered to the customer. Properties are pre-sold when the purchase contract has been executed but the properties have not yet been delivered to the customer.

We include in this offering memorandum the project names which we have used, or intend to use, to market our properties. Some of the names for our property developments are pending approvals by the relevant government authorities and may be subject to change.

Geographic Locations of Our Projects

The following map shows the geographic locations of our 424 property development projects as of June 30, 2021:

Zhejiang District

- Wenzhou Shimao Shine Estuary
- Ouzhou Impressive Mansion
- Wenzhou Longwan Project
- Ningbo Shimao Shine Metropolis
- Shaoxing Cloud Mansion
- Hangzhou Shimao Wisdom Tower

Central China District

- Zhengzhou Shimao Zhenxing Shine City
- Wuhan Shimao Splendid River
- Hefei Shimao Classic Chinese Chic
- Jingzhou Shimao Cloud Build River
- Wuhan Shimao Endless Future
- Changsha Shimao Global Financial Center

Western District

- Chengdu Culture Mansion
- Chongqing Shimao Shine City
- Shimao Chongqing Center
- Kunming Shimao Shine City
- Xi'an Shimao Shine City
- Chengdu Shimao Yunjing

Shandong District

- Dezhou Shimao Four Seasons
- Jinan Changqing Shimao Festival City
- Weifang Shimao Cloud Atlas
- Jinan Junmaofu
- Jinan Shimao Metropolis
- Weihai Shimao The Atrium

Northern China District

- Beijing Shimao Loong Palace
- Beijing Royal Palace
- Beijing Classic Chinese Chic
- Beijing Shimao Sanli Mansion
- Beijing Bright Moon in Forest
- Beijing Shimao Honor of China
- Beijing Shimao Cultural Landscape

Jiangsu and Shanghai District

Yangzhou Shimao Shine Stars
Nanjing Shimao Honor of China
Shanghai Natural City
Nanjing Shimao Shine Future
Nanjing Shimao Shine Bay
Nanjing Sunning Shimao Shine Cloud

Straits Development District

Guangzhou Shimao Swan Bay
Guangzhou Shimao Beyond Sky
Dongguan Riverside Purple Town
Shenzhen Longgang Shimao Shenzhen-Hong Kong International Centre
Shenzhen Shimao The Great Mogul
Zhuhai Shimao Hong Kong Zhuhai Macao Port City
Shimao Sanya International Financial Center
Fuzhou Shimao The River One
Ningde Times Castle
Quangzhou Huian Shimao The One
Pingtan Shimao Straits Love Island
Haikou Shimao Shine Bund
Foshan Shimao Classic Chinese Chic
Fuzhou Changle Shimao Shine City
Zhaoqing Shimao No. 1 Riverside
Nanning Wuxiang Lantingfu
Dongguan Riverside Shine Town
Fuzhou Zhenro Shimao Tangyue Mountain South

HKSAR

Kowloon Tai Wo Ping
Sheraton Hong Kong Tung Chung Hotel
Grand Victoria

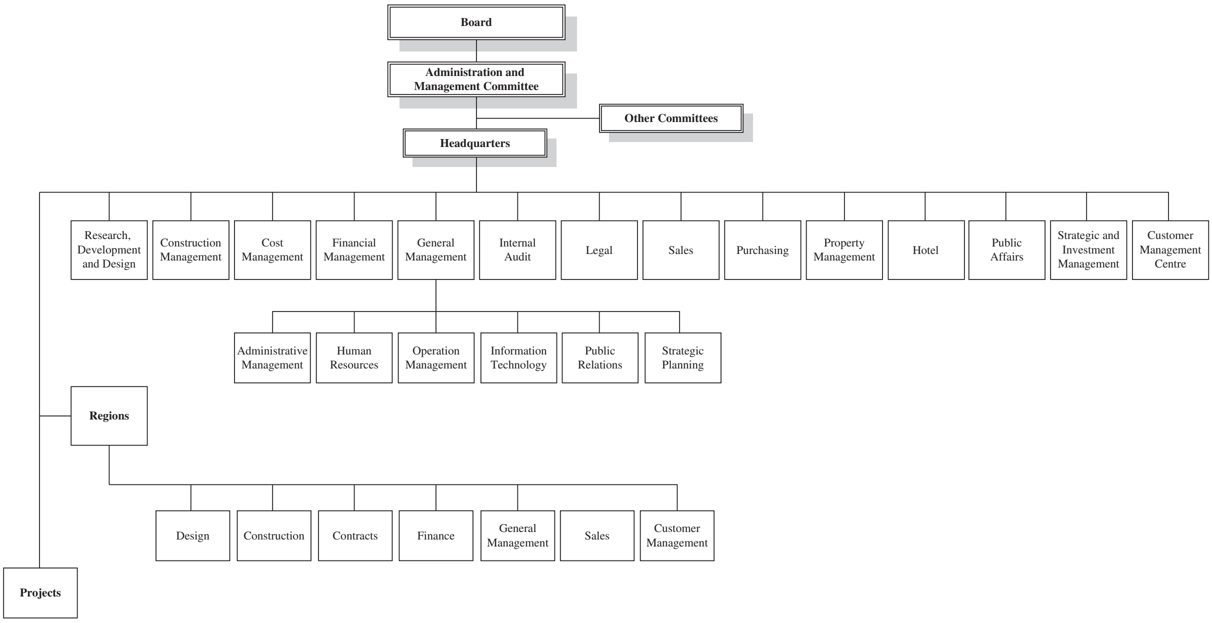
Remarks: Only the key Projects are listed above

PROJECT DEVELOPMENT

Although the nature and sequence of specific planning and execution activities will vary among projects, we have summarized below the core elements of our typical project development process for our residential, retail and hotel properties for sale.

Project Management

We set out below our project management structure:



We establish seven functional departments for each of our projects: design, construction, contracts, finance, general management, sales and customer management. The manager of each functional department at the project level reports directly to the project controller and the financial manager is supervised by the finance director. Each of the controllers, including the project controller, reports directly to the Administration and Management Committee.

Project Selection

In conjunction with our ongoing market and design research, we continuously work to identify and evaluate potential sites for new projects. We assess land parcels for use in potential projects based on our analysis of, among other things:

- size, shape and location of the land parcel;
- local customer demand and expected growth of the city in which the land is located;
- transportation access and infrastructure support;
- project evaluation according to our internal pre-determined criteria;
- development prospects, taking into account social, economic and environmental effects;

- timing and cost of relocating existing occupants;
- applicable zoning regulations and government preferential policies; and
- government development plans for the relevant site and the neighboring area. Once we decide to acquire a piece of land, we prepare a feasibility report for approval by the Board.

Bidding/Tendering for Land

According to the Regulation on the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting Up for Bidding (招標拍賣掛牌出讓國有土地使用權規定) promulgated on May 9, 2002, and amended on September 28, 2007, all land to be developed for commercial purposes, such as business, tourism, entertainment and commodity residential housing, must be granted by way of tender, auction or bidding. When deciding to whom the land use rights should be granted, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal.

Pre-construction

Once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin construction and sale of our properties. If the land use right is acquired by way of grant, the land grant contract will be a precondition to applications for the following permits and licenses:

- land use rights certificate (國有土地使用證). A certification of the right of a party to use a parcel of land. In Shanghai or some other cities, a real estate title certificate (房地產權證) will be issued instead;
- construction land planning permit (建設用地規劃許可證). A permit authorizing a developer to begin the survey, planning and design of a parcel of land;
- construction works planning permit (建設工程規劃許可證). A certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a work commencement permit (建設工程施工許可證);
- work commencement permit (建設工程施工許可證). A permit required for commencement of construction; and
- pre-sale permit (預售許可證). A permit authorizing a developer to start the pre-sale of property still under construction.

We have obtained all the required land use rights certificates and permits for our existing properties under development taking into account their respective stages of development at such date.

Financing of Projects

We finance our projects primarily through capital contributions from our shareholders, bank loans and internal cash flows, including proceeds from the pre-sale of our properties and the proceeds from our initial public offering. According to guidelines issued by the CBRC, no loan shall be granted to projects which have not obtained the relevant land use rights certificates, construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and work commencement permits (建設工程施工許可證). The guidelines also stipulate that not less than 35% of the total investment in a property development project must come from a real estate developer's own capital for the development project (項目資本金) in order for banks to extend loans to the real estate developer. Our policy is to finance our property developments with internal resources to the extent practicable so as to reduce the level of external funding required. As of December 31, 2020, our outstanding borrowings amounted to RMB145,143.1 million (US$22,244.1 million), of which RMB36,540.8 million (US$5,600.1 million) was due within one year and RMB108,602.3 million (US$16,644.0 million) was due after one year.

Project Design

We contract out the project design work for our property developments to reputable architectural and interior design firms (the "External Team") which are selected through a tender process. Our Works and Bidding/Tendering Management Committee is responsible for organizing and monitoring the tender process for major contracts (tenders with a value of over RMB5 million) or commercial tenders of similar value. The committee also manages the selection process for the tenders. Our in-house design department then works with the selected External Team to determine the design of a particular property development by taking into account certain factors such as:

- proposed type of development;
- target market;
- size and surrounding area of the site; and
- advice provided by our sales and marketing department on the expectations of our target market.

Once the master design concept for a project is established, our in-house design department will collaborate with the External Team to transform the concept into a more detailed design drawing (the "Design Development Document"). This is a crucial part of the design process. The Design Development Document must be approved by the relevant PRC governmental authorities. Once approved, the Design Development Document then becomes the basis for the detailed design and construction of the project.

Our design department also works with the project engineers and our building material procurement team to develop and determine the appropriate building methods and materials so that project costs can be controlled and our developed properties are more likely to be accepted by the targeted markets.

During the construction phase, our design department works closely together with the contractors, the project engineers and the External Team to manage and oversee the project's progress. In addition to focusing on the functional and aesthetic aspects of a project, our design team also provides constant site supervision and conducts progress audits in order to ensure that construction progresses according to the design plan and schedule.

Resettlement

Resettlement in respect of most of our project developments (except for our Shanghai Shimao Riviera Garden) is carried out by the relevant local governments pursuant to specified time schedules for the delivery of the land to us as agreed and reflected in our land grant contracts. Upon delivery of land (and the accompanying land use rights certificates) to us, we will pay the corresponding portion of the land premium according to the relevant land grant contract but there are no additional resettlement costs that will be incurred by us in relation to these projects.

Construction

Our projects usually proceed phase by phase or block by block as part of our financial management and marketing strategy. Normally, different general contractors are selected to carry out construction of different phases or blocks in a development, a practice which we consider enables us to better control construction quality, time and cost.

The Group has selected its construction companies in accordance with a strict selection process as detailed below:

- Our project controller and consultants, in conjunction with our contracts department and the relevant supporting technical team, recommend a list of contractors to our Group's senior management.

- Such recommended contractors are then invited to provide information in relation to, for example, their previous experience, financial status and size and composition of their project management team.

- Based on the information provided by the contractors, our technical, design and contract departments then prepare a shortlist of contractors to be invited to submit tenders ("Invitees").

- We issue a tender notice to the Invitees.

- Upon receipt of the tender documents submitted by the Invitees, our engineers, quantity surveyors and the contracts department, together with relevant consultants in certain cases (together, the "Tender Team") will analyze the tender documents and prepare a report.

- The Tender Team conducts interviews with the Invitees to discuss in detail the scope of work required for the project and the specifications.

- The project manager recommends a candidate for the senior management's approval based on the Tender Team's analysis report and interviews.

Our construction contracts generally provide for progressive monthly payments during construction until a specified maximum percentage of the total contract sum is paid. The remaining balance, except for 5% of the contract sum which we withhold for two to three years from completion to apply against any expenses incurred as a result of any construction defects, is payable upon satisfactory completion of work. Our standard construction contract also includes express terms on construction schedule, cost and work quality. Under the standard construction contract, the general contractors are required to indemnify us for any losses we incur as a result of construction defects or delay and, in the latter case, the general contractors are required to pay default interest on a daily basis. We also request the general contractors to provide performance bonds in a sum equal to 10% of the construction cost as stated in the construction contract.

Quality Control and Construction Supervision

We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of high quality. These procedures are strictly followed by our functional departments, project companies and by our construction supervisors. As part of our quality control procedures, it is our policy to only contract with reputable design and construction companies.

We purchase major materials, such as doors, windows, sanitary fittings and kitchen cabinets directly, while the general contractors procure the more basic building materials, such as cement and steel. With respect to the materials we purchased, particularly those that are in large volumes, we seek to utilize our centralized procurement function to strengthen our negotiating position with suppliers of these materials. The general contractors procure most of the equipment necessary for each project in accordance with our specifications. We do not own any construction equipment and do not maintain any inventory of building materials. To maintain quality control, we employ very strict procedures for selection, inspection and testing of materials. Our project management teams inspect all equipment and materials to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. We reject materials which are below standard or that do not comply with our specifications and return them to the suppliers. To ensure quality and monitor the progress and workmanship of construction, each project has its own on-site project management team, which comprises qualified engineers led by our project controller. Our project management teams provide on-site supervision of the project. We also engage independent quality supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site.

Our construction controller is responsible for the supervision of the construction of our properties and ensuring that our properties meet a specified standard upon completion. In addition, prior to handing over a property to our customers, our sales and customer service departments together with our engineers and the relevant property management partners will inspect the property.

Pre-sale

According to the Urban Real Property Law (中華人民共和國城市房地產管理法) and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), the following conditions must be fulfilled before the pre-sale of a particular property can commence:

- the land premium must be paid in full and the land use rights certificate must have been obtained;

- the construction works planning permit and the work commencement permit must have been obtained;

- the funds contributed to the development of the project shall amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and

- the pre-sale approval must have been obtained.

We have complied with the relevant statutory requirements for pre-sale in all material respects.

Sales and Marketing

Our sales and marketing teams are responsible for conducting detailed analyses of market conditions, preparing promotional materials, conducting general promotional campaigns, recommending unit prices and pricing-related policies for our projects and coordinating and monitoring our relationship with the media. Our property sales planning is typically divided into three stages, as set out below:

- Planning stage – During the construction of our properties, our sales and planning and development departments will establish a sales team, train the team, and choose the agents to represent us in the relevant overseas cities. At this stage, our sales and planning and development departments will formulate a detailed sales plan including estimated selling prices, the selling period, number of units for sale and expense budget and refine our sales plans (the "Sales Plan") previously prepared at the project selection stage;

- Sales stage – Our management committee together with our senior management will confirm the Sales Plan and the relevant functional departments will implement the Sales Plan. We commence pre-sales after we obtain the relevant pre-sale permits; and

- Review stage – On a regular basis, we review our sales performance by comparing our actual sales results against the Sales Plan. Where there are significant differences, our management committee will investigate the reasons and put in place remedial plans where appropriate.

We also undertake both direct and indirect marketing efforts such as advertising, participating in international real estate exhibitions and maintaining loyalty clubs to promote the "Shimao" brand. Through these loyalty clubs, we maintain close contact with our customers and encourage them to actively participate in referring potential purchasers to us. We work with companies which have reputable brands to hold social events for our customers. In respect of our hotels, we partner with the Hyatt Group, the Starwood Group, the InterContinental Group and Hilton Group to increase our access to an international customer network so as to broaden our customer base and further increase the international recognition of our "Shimao" brand.

We do not provide property sales agency services. We engage international property agents to promote our properties in Hong Kong, Taiwan, Southeast Asia, Japan, the United States, Canada, Australia and Europe.

In line with the market practice in the PRC, we usually commence pre-sales before completion of the entire project. Our pre-sales typically occur phase by phase and we use the pre-sale proceeds to fund a significant portion of the project construction cost for the relevant project.

Delivery

In relation to our properties for sale, after construction is completed, we will need to obtain a completion and acceptance certificate (竣工驗收證明) from the relevant local governments before we are able to deliver the properties to our customers. In Shanghai, there is an additional requirement for us to obtain a delivery certificate (交付使用許可證) in respect of our completed residential properties before handover can be effected. As required by the applicable regulations, we provide, without charge, both the "Internal Furnishing Quality Control Certificate" (室內裝修質量合格證書) and the "Air Quality Control Certificate" (室內空氣質量檢驗合格證書) to the owners of our residential units in Shanghai upon handover. The initial owners also receive a residence quality warranty against certain defects and a homeowner's guidebook from us. We believe such certificates and warranty evidence our construction standards and have contributed to our high customer satisfaction rate.

Payment and End-user Financing

Purchasers of our properties can choose between payment by installments or lump sum payments. Where a purchaser chooses to pay by installments, at least 30% of the purchase price is typically required to be made as a down payment when the sales contract is entered into. Mortgages will be arranged for the remaining purchase price and the full purchase price must be paid within six months from the date of the sales contract or by the delivery of the unit whichever is earlier. In line with market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks.

In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on credit checks conducted by the relevant bank. To date, there have no cases of default on residential mortgages guaranteed by us, and we have not incurred any financial losses from such defaults as a result. For more details on the risks associated with guaranteeing mortgages, please refer to the section headed "Risk Factors—Risk Relating to Our Business—We guarantee mortgage loans of our customers and may be liable to the mortgage banks if our customers default on their mortgage payments."

After-sale Services

We have a specialized customer service team designated to provide comprehensive after-sale services to our customers, which include assistance in financing applications, title registration and obtaining relevant title certificates. We also engage international property management partners to provide a high standard of property management and after-sale services to our customers. In addition, we have engaged Shimao Tiancheng Property Services Group Co., Ltd. (formerly known as Shanghai Shimao Nanjing Property Services Co., Ltd.), in which we hold a 65.88% interest, to provide property management services to Kunshan Shimao Butterfly Bay and Changshu Shimao The Center.

OUR HOTELS AND INVESTMENT PROPERTIES

Overview

We focus on large-scale property development projects, many of which have a combination of residential, hotels, retail and office properties. All of our residential properties are held for sale, while our hotels and some of our retail and office properties are held for investment purposes. In recent years, we have expanded into the hotel, retail and office property sectors.

We developed and hold six hotels in Shanghai, namely The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, MiniMax Hotel Shanghai, Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai and InterContinental Shanghai Wonderland, two in Shaoxing, namely Holiday Inn Shaoxing and Crowne Plaza Shaoxing, one in Mudanjiang, namely Holiday Inn Mudanjiang, one in Nanjing, namely Hilton Nanjing Riverside, one in Wuhu, namely Doubletree by Hilton Wuhu, one in Taizhou, namely Yuluxe Hotel Taizhou, one in Tianjin, namely Hilton Tianjin Eco-City, two in Ningbo, namely DoubleTree by Hilton Ningbo Chunxiao and DoubleTree by Hilton Ningbo Beilun, two in Wuhan, namely Hilton Wuhan Riverside and Ethos Hotel Wuhan, three in Xiamen, namely Conrad Xiamen, MiniMax Hotel Xiamen Central and Ethos Hotel Xiamen, one in Fuzhou, namely InterContinental Fuzhou, one in Yantai, namely Hilton Yantai, one in Shenyang, namely Hilton Shenyang, one in Hangzhou, namely Le Méridien Hangzhou Binjiang, two in Chengdu, namely Yuluxe Hotel Chengdu and MiniMax Premier Hotel Chengdu Center, one in Dalian, namely MiniMax Premier Hotel Dalian Yulong Bay, one in Shishi, namely MiniMax Hotel Shishi, one in Wuyi, namely Yutopia Wuyi Mountain Retreat, one in Hong Kong, namely Sheraton Hong Kong Tung Chung Hotel, and one in Changsha, namely Hilton Changsha Riverside. We are also developing or planning to develop a number of other hotels in Shanghai, Shenzhen, Beijing, Zhuhai, Xian, Changchun, Nanjing, Chengdu, Wuhan, Fuzhou, Ningbo, and Zhenjiang. We intend to hold these hotels for investment purposes when they are completed. We have already entered into management contracts with the InterContinental and Hilton Groups with respect to a number of these hotels. We plan to enter into similar management contracts for some of our other hotels that are under development or planning. 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 relevant hotel's total revenue, and an incentive fee with reference to the relevant hotel's gross operating profit. In addition, we have established our own hotel management company to manage some of our other hotels under development or currently being planned.

In October 2010 and April 2011, we entered into two agreements with Hilton Worldwide in Shanghai covering global strategic hotel management cooperation. Under the agreements, we would cooperate with Hilton Worldwide in the development of the "Hilton," "Double Tree by Hilton" and "Conrad" brands at hotels in more than ten tier-one and tier-two cities in China, including Tianjin, Nanjing, Wuhan, Shenyang, Yantai, Wuxi, Xiamen, Changsha and Ningbo. Hilton Nanjing Riverside opened in December 2011, Doubletree by Hilton Wuhu opened in November 2013, Hilton Tianjin Eco-City opened in April 2015, DoubleTree by Hilton Ningbo Chunxiao opened in December 2015, Hilton Wuhan Riverside opened in July 2016, Conrad Xiamen opened in August 2016 and DoubleTree by Hilton Ningbo Beilun opened in December 2016.

In October 2012, we registered a series of "Yu Hotels" trademarks in the PRC and intend to manage some of our hotels under development or planning through our own hotel management company under "Yu Hotels" brand name.

As of December 31, 2018, 2019 and 2020, we had 6,930, 7,226 and 7,643 guest rooms, respectively. As of December 31, 2020, the fair value of our hotels was RMB43.6 billion (US$6.7 billion).

The table below sets out certain information relating to our hotels which had been completed, as of June 30, 2021:

	Hotel GFA	Number of rooms	Ownership interest	Management partner	Date of commencement	Term under the operating management agreement
	(sq.m.)					
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	69,328	325	100%	Marriott	November 2005	10 years of management starting from April 1, 2016, till December 31, 2025, and during the period, if both the management company and the owner agree, management can be changed to franchise
Le Royal Méridien Shanghai	117,855	770	100%	Marriott	September 2006	10 years from the date of full opening, renewable for a further 5 years
Hyatt on the Bund Shanghai	100,972	631	100%	Hyatt	June 2007	20 years from the date of full opening
Holiday Inn Mudanjiang	31,058	266	95%	InterContinental	December 2010	10 years from the date of full opening, renewable for a further 10 years
Holiday Inn Shaoxing	30,108	284	0%	InterContinental	September 2011	10 years from the date of full opening, renewable for a further 10 years
Hilton Nanjing Riverside	77,296	411	100%	Hilton	December 2011	15 years from the date of full opening, renewable for a further 10 years
Yuluxe Hotel Taizhou	43,000	262	100%	Shimao Star Hotel Group	August 2014	20 years from the date of July 1, 2017
Hilton Tianjin Eco-City	73,671	302	100%	Hilton	April 2015	15 years from the date of full opening, renewable for a further 10 years
DoubleTree by Hilton Ningbo Chunxiao	59,462	220	100%	Hilton	December 2015	15 years from the date of full opening, renewable for a further 10 years
DoubleTree by Hilton Wuhu	47,295	442	0%	Hilton	October 2013	15 years from the date of full opening, renewable for a further 10 years
InterContinental Fuzhou	65,474	311	100%	InterContinental	January 2014	10 years from the date of full opening, renewable for a further 10 years

	Hotel GFA	Number of rooms	Ownership interest	Management partner	Date of commencement	Term under the operating management agreement
	(sq.m.)					
Crowne Plaza Shaoxing	78,988	453	100%	InterContinental	March 2014	10 years from the date of full opening, renewable for a further 10 years
Hilton Wuhan Riverside	73,609	338	100%	Hilton	July 2016	15 years from the date of full opening, renewable for a further 10 years
Conrad Xiamen	45,157	241	70%	Hilton	August 2016	15 years from the date of full opening, renewable for a further 10 years
DoubleTree by Hilton Ningbo Beilun	44,358	379	100%	Hilton	December 2016	15 years from the date of full opening, renewable for a further 10 years
Hilton Yantai	48,525	252	100%	Hilton	August 2017	15 years from the date of full opening, renewable for a further 10 years
Hilton Shenyang	65,800	334	100%	Hilton	January 2018	15 years from the date of full opening, renewable for a further 10 years
MiniMax Premier Hotel Dalian Yulong Bay	11,360	68	100%	Shimao Star Hotel Group	August 2016	20 years from the date of December 15, 2015
MiniMax Hotel Shishi	6,318	106	70.42%	Shimao Star Hotel Group	January 2018	15 years from the date of full opening, renewable for a further 5 years
Yuluxe Hotel Chengdu	33,310	294	50%	Shimao Star Hotel Group	August 2018	15 years from the date of full opening, renewable for a further 5 years
Le Méridien Hanzhou, Binjiang	29,042	201	51%	Marriott	September 2018	15 years from the date of full opening, renewable for a further 5 years
InterContinental Shanghai Wonderland	61,087	336	100%	InterContinental	November 2018	10 years from the date of full opening, renewable for a further 10 years
Yutopia Wuyi Mountain Retreat	23,028	199	100%	Shimao Star Hotel Group	September 2020	15 years from the date of full opening, renewable for a further 5 years
Sheraton Hong Kong Tung Chung Hotel	17,515	218	100%	Marriott	December 2020	10 years from the date of full opening
Four Points by Sheraton Hong Kong Tung Chung	33,923	1,001	100%	Marriott	January 2021	10 years from the date of full opening

The table below sets out certain information relating to our hotels which were under development or planning as of June 30, 2021:

	Estimated Date of Completion	Estimated Hotel GFA	Estimated Number of Rooms	Ownership Interest	Management Partner
		(sq.m.)			
Hilton Changsha	July 2021	52,882	296	50%	Hilton
MiniMax Hotel Chengdu Longquanyi	October 2021	9,397	159	100%	Shimao Star Hotel Group
Yu Hotel Jinjiang Zimao Mountain	2022	14,037	71	100%	Shimao Star Hotel Group
Yu Hotel Chuangchun Lianhua Mountain	2022	31,200	264	62.5%	Shimao Star Hotel Group
Sheshan Phase II Project Shanghai	2022	21,128	108	100%	Shimao Star Hotel Group
Shimao Yuluxe Hotel Xianshan	2022	32,901	236	100%	Shimao Star Hotel Group
Shimao Yuluxe Hotel Pingtan	2022	33,760	254	100%	Shimao Star Hotel Group
Shimao Yuluxe Hotel Xian	2025	30,718	247	56%	Shimao Star Hotel Group
InterContinental Residences Nanjing Hexi	2025	19,300	142	57%	InterContinental
Hualuxe Resort Fuzhou Guling	To be determined	23,516	145	100%	InterContinental
Waldord Astoria Shenzhen Longgang	To be determined	50,000	300	70%	Hilton
Zhejiang Tongxiang Hotel	2023	32,473	231	100%	Shimao Star Hotel Group
Gansu Tianshui Hotel	2024	34,107	260	51%	Shimao Star Hotel Group
Fairmont Hotel Zhuhai	2024	20,000	200	51%	Accor
Conrad Hotel Zhuhai	2024	50,000	250	51%	Hilton
Yu Hotel Zhuhai	2025	50,000	360	51%	Shimao Star Hotel Group
Yu Residence Zhuhai	2025	21,000	200	51%	Shimao Star Hotel Group
Ethos Hotel Zhuhai	2024	19,000	255	51%	Shimao Star Hotel Group

Our hotel department is responsible for formulating the strategies for hotel operations. For certain of our hotels, in particular the high-end hotels, our strategy is to enter into hotel management agreements with international hotel operators. In selecting our hotel management partners, we consider their relevant experience, reputation and track records. We believe that by partnering with international hotel operators, we are able to enhance the image of our hotels, and benefit from our partners' expertise in hotel management and their global marketing, advertising and procurement capabilities. The hotel management partners are responsible for managing the daily operation of the hotels in all aspects, including recruiting and training of staff members and setting room rates and other charges and the strategies of the hotels. Our target customers are mid-to high-end international and domestic travelers. For some hotels in second-tier cities, we plan to manage them through our own hotel management company.

We expect to continue to receive recurring income stream from the operation of the hotels, including income derived from room rent, food and beverage sales and provision of other goods and services in our hotels.

Investment Properties

As of June 30, 2021, we had a total GFA of approximately 1,564,659 sq.m. of properties available for rent, of which substantially all had been rented out. The table below sets out certain information relating to our completed investment properties, including those that have been reclassified as investment properties, as of June 30, 2021:

Property	Location	Total rentable GFA	Date of completion	Ownership interest attributable to us
		(sq.m.)		
Shanghai Shimao Festival City	Shanghai	71,239	September 2004	100.00%
Changshu Shimao The Centre	Changshu	4,591	January 2009	59.74%
Beijing Shimao Tower	Beijing	70,175	July 2009	59.74%
Wuhu Shimao Riviera Garden (Commercial)	Wuhu	19,963	September 2009	59.74%
Shanghai Shimao Shangdu	Shanghai	9,584	November 2010	59.74%
Shaoxing Shimao Dear Town	Shaoxing	181,605	May 2010	100.00%
Suzhou Shimao Canal Scene	Suzhou	84,025	June 2010	59.74%
Kunshan Shimao Plaza	Kunshan	116,299	April 2012	59.74%
Xuzhou Shimao Dongdu (Commercial)	Xuzhou	59,471	January 2012	59.74%
Jinan Shimao International Plaza	Jinan	110,713	May 2014	59.74%
Nanjing Straits City (Commercial)	Nanjing	119,759	December 2014	100.00%
Quanzhou Shishi Shimao Skyscraper City	Shishi	156,335	January 2017	55.96%
Xiamen Shimao Straits Mansion (Commercial)	Xiamen	37,261	January 2017	49.47%
Shanghai Shimao Tower	Shanghai	45,698	December 2018	100.00%
Nanjing Yuhua Shimao (Commercial)	Nanjing	25,108	December 2018	55.46%
Qingdao Chengyang Shimao 52+	Qingdao	43,379	August 2020	59.74%
Changsha Shimao Global Financial Center	Changsha	96,485	September 2020	59.74%
Shenzhen Shimao Qianhai Center	Shenzhen	99,183	July 2020	81.60%
Xiamen Shimao Shine City	Xiamen	73,400	April 2021	78.96%
Chengdu Shimao Plaza	Chengdu	140,386	April 2021	100.00%
Total		1,564,659		

The table below sets out certain information relating to our investment properties under development and held for future development as of June 30, 2021:

Property	**Location**	**Total planned rentable GFA**	**Estimated date of completion**	**Ownership interest attributable to us**
		(sq.m.)		
Nanjing Shimao SGC (Commercial)	Nanjing	142,336	September 2023	79.87%
Nanjing Shimao SGC (Office)	Nanjing	150,758	December 2023	79.87%
Wuhan Shimao Skyscraper City	Wuhan	112,256	pending	79.47%
Shenzhen Pingshan Shimao Tower	Shenzhen	107,100	March 2025	35.84%
Hangzhou Wisdom Gate Tower B	Hangzhou	116,514	November 2021	59.74%
Shenzhen Shimao Shengang International Plaza	Shenzhen	700,272	Main Tower February 2024 Commercial October 2023	49.47%
Beijing Dachang Shimao Plaza	Beijing	73,217	pending	65.00%
Wuhan D2B	Wuhan	180,160	Commercial December 2024 Office December 2025	100.00%
Zibo Shimao Plaza	Zibo	88,000	December 2023	45.00%
Jinan Changqing Shimao Plaza	Jinan	90,000	September 2022	100.00%
Zhuhai Artificial Island	Zhuhai	184,000	pending	79.47%
Zhaoqing Shimao Festival City	Zhaoqing	80,000	June 2023	81.60%
Hangzhou Jianqiao Shimao Festival City	Hangzhou	90,245	June 2024	81.60%
Ningbo Yingzhou Shimao Festival City	Ningbo	86,390	June 2023	81.60%
Ningbo Cichen Shimao Festival City	Ningbo	55,744	pending	81.60%
Sanya Yuenchuan Project	Sanya	64,000	pending	59.74%
Fuzhou Difangjiang Kuanhoufang Street	Fuzhou	80,791	pending	41.62%
Jiyang Shimao 52+ City	Jiyang	54,000	May 2025	70.00%
Total		2,455,783		

We have a leasing department which is responsible for formulating the strategies for our rental properties. Our current strategy is to enter into long-term tenancy agreements with anchor retail tenants and operation management agreements with retail property operators for the entire retail properties which we hold for investment purposes. In selecting our anchor retail tenants or retail property operators, we consider their relevant experience, reputation and track records. We believe that anchor retail tenants and retail property operators are able to provide expertise in retail management, promote the image of our rental properties and also reduce the administrative responsibility of having to liaise with individual tenants directly. The anchor retail tenants and retail property operators are responsible for all aspects of managing the daily operation of the shopping mall, including recruiting and training staff for the shopping mall and coordinating the leasing and subleasing of business. Our target tenants and subtenants are mid to high-end retail stores, restaurants and supermarkets.

In addition, we have entered into strategic cooperation partnership agreements with over 200 strategic retail partners in relation to our rental properties, under which these domestic and international retailers from various segments rent our properties for a specified period, generally from three years to 20 years with an option to extend upon mutual consent. In return, we develop properties which meet the requirements of our strategic retail partners. We intend to enter into similar strategic cooperation partnership agreements, in addition to long-term tenancy agreements with anchor retail tenants and operation management agreements with retail property operators, prior to or upon the completion of our other retail properties which are to be held for investment purposes.

INSURANCE

With respect to our properties under development over which our lending banks have security interests, we obtained insurance coverage in accordance with the requirements of the loan documents. We do not, however, maintain property damage or third-party liability insurance for our other property developments. Under PRC law, these types of insurance are not mandatory. With respect to our completed residential properties managed by our property management companies, we maintain insurance to cover losses arising from fire, asset damages and third party liabilities until the properties are sold and delivered to our customers. Our completed residential properties managed by third parties are typically insured by such third party property management companies, and we do not maintain insurance for such properties. With respect to our completed investment properties and hotels, we maintain a variety of insurance policies, including fire insurance, all-risk insurance and asset insurance. We also maintain business disruption insurance policies for our owned shopping malls. In addition, we maintain on a voluntary basis personal accidental insurance and supplementary commercial medical insurance for our employees. We may re-evaluate the risk profile of the property markets and adjust our insurance practice from time to time.

ENVIRONMENTAL MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Please refer to the section headed "Regulation—Environment Protection" for details of these environmental laws and regulations. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. See "Risk Factors—Risks Relating to Our Business—Potential liability for environmental problems could result in substantial costs." On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We have not experienced any problems in the inspections conducted by the relevant authorities upon handover of our properties.

LEGAL PROCEEDINGS

We have been involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, joint venture partners and property purchasers, in the ordinary course of business. We are not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to us to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules of the ministries and commissions under the State Council, rules of the local governments, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative regulations. The ministries and commissions under the State Council are also vested with the power to issue rules within the jurisdiction of their respective departments. All administrative regulations and rules promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC.

At the regional level, the people's congresses and their respective standing committees of the provinces, autonomous regions and municipalities under direct administration of the PRC central government may enact local regulations and the people's governments of the provinces, autonomous regions, municipalities and comparatively large cities may promulgate rules applicable to their own administrative areas. These local regulations and rules must be consistent with the PRC Constitution, the national laws and the administrative regulations promulgated by the State Council.

The State Council may also enact or issue administrative regulations in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed in June 1981, the Supreme People's Court has the power to give general interpretation on the application of laws in judicial proceedings. The State Council and its ministries and commissions are also vested with the power to interpret administrative regulations and rules that they have promulgated. At the regional level, the power to interpret local regulations is vested in the regional legislative bodies which promulgate such regulations.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts (中華人民共和國人民法院組織法) passed on July 1, 1979 and amended on October 31, 2006 and October 26, 2018, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the primary courts, the intermediate courts and the higher courts. The higher courts supervise the primary and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The civil trial system of PRC follows a two-tier appellate system. A party may appeal against a civil judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level are final. First civil judgments or orders of the Supreme People's Court are also final.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) adopted in April 1991 and amended on October 28, 2007 and August 31, 2012 and June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of such judgment, order or award within two years. If any party fails to satisfy a civil judgment or order made by the court within the stipulated time, the other party may apply to a people's court for enforcement, or the judge in charge of such case may transfer such judgment or order to the enforcement personnel for enforcement.

A party seeking to enforce a civil judgment or order of a people's court against a party who is not located within the PRC or does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of such judgment or order. When a legally effective judgment or ruling made by foreign court requires recognition and enforcement by a people's court in the PRC, a party concerned may apply directly to a competent intermediate people's court for recognition and enforcement, or a foreign court may, in accordance with the provisions of the international treaties concluded between or acceded to by the foreign country and the PRC or according to the principle of reciprocity, request the people's court for recognition and enforcement. Any judgment or ruling that results in a violation of the basic legal principles of the PRC, the State's sovereignty, security, or the social and public interests shall not be recognized or enforced.

THE PRC REGULATORY REGIME

We operate our business substantially in China under a legal regime consisting of the Standing Committee of the National People's Congress, the State Council and several ministries and agencies under its authority including, among others, the Ministry of Land and Resources, the Ministry of Housing and Urban-Rural Development, and the Ministry of Environmental Protection. According to the Institutional Reform Program of the State Council (國務院機構改革方案) promulgated by the PRC National People's Congress on March 17, 2018, the Ministry of Land and Resources has been incorporated into the newly organized the Ministry of Natural Resources and the Ministry of Housing and Urban-Rural Development's functions with respect to urban and rural planning has been transferred to the Ministry of Natural Resources. Besides, the Ministry of Environmental Protection has been incorporated into the newly organized the Ministry of Ecology and the Environment. Both the Ministry of Land and Resources and the Ministry of Environmental Protection will no longer be retained following the structure reform of administrative organs led by the State Council. Pursuant to the Program for Deepening the Reform of the Party and the State Institutions (深化黨和國家機構改革方案) promulgated by the Central Committee of the PRC Communist Party on March 21, 2018, the reform of the central and state institutions is expected to be completed before the end of the fiscal year of 2018.

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the PRC Law on Administration of Urban Real Estate (城市房地產管理法) promulgated by the Standing Committee of the National People's Congress, effective on January 1, 1995 and amended on August 27, 2009 and August 26, 2019, real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998 latest amended on November 29, 2020, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalogue of Guidance on Industries for Foreign Investment (2015 version) (外商投資產業指導目錄) (2015年修訂) jointly promulgated by MOFCOM and NDRC on March 10, 2015 and enforced on April 10, 2015, the following have been removed from the restricted category to the permitted category:

- the development of a large scale of land lots to be operated by sino-foreign equity joint venture or sino-foreign cooperative joint venture only;
- the construction and operation of high-end hotels, premium office buildings and international conference centers; and
- real estate transaction in second-grade market, housing agents and brokerages.

Under the Catalogue of Guidance on Industries for Foreign Investment (2017 version) (外商投資產業指導目錄) (2017年修訂) jointly promulgated by MOFCOM and NDRC in June 2017, and enforced on July 28, 2017, the construction and operation of villas by foreign investors has been removed from the prohibited category and shall be subject to the same restricted measures as such investments by domestic investors. The Special Administrative Measures on Access of Foreign Investment (Negative List) (2020 Edition) (外商投資准入特別管理措施(負面清單)(2020年版)), which was promulgated by the NDRC and the MOFCOM on June 23, 2020 and became effective from July 23, 2020, substitutes the Special Administrative Measures on Access of Foreign Investment (Negative List) (2019 Edition) (外商投資准入特別管理措施(負面清單)(2019年版)). In accordance to the Special Administrative Measures on Access of Foreign Investment (Negative List) (2020 Edition), foreign investment in the real estate industry and the construction and operation of villas are not within the scope of special administrative measure but which shall be subject to the same restricted measures as such investments by domestic investors.

A foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign-owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

Pursuant to the Notice on Adjusting and Perfecting 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) issued by the State Council on September 9, 2015, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects remains unchanged at 20%, while it has been adjusted from 30% to 25% for other real estate projects.

On July 11, 2006, MOC (currently known as MOHURD), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資準入和管理的意見), which provides, among other things, that:

(a) An overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a FIREE in accordance with applicable PRC laws and the FIREE may only conduct operations within the authorized business scope.

(b) If the total investment of a FIREE 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) For the establishment of a FIREE, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign-invested property development enterprise and issuing the approval certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the land premiums, the enterprise should apply for the Grant of State-owned Land Use Rights certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprise will receive an official approval certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the Business License with one that has the same operation term as the formal Approval Certificate for Foreign Investment Enterprise in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares in FIREE, and the acquisitions of domestic real estate enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (i) the guarantee letters for the performance of the Grant of State-owned Land Use Right, the Planning Permit for Construction Land and Construction Work Planning Permit; (ii) Certificate of Land Use Right; (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 merging and acquiring domestic real estate enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a sino-foreign equity joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund.

On May 23, 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), or Circular 50. Under Circular 50:

(a) Foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled.

(b) Prior to applying for establishment of FIREEs, foreign investors must first obtain land use rights, property ownership, or have entered into pre-sale or pre-granting agreements with the land administration authority or property developer/owner.

(c) Acquisition of or investment in domestic real estate enterprises by way of round-trip investment (including the same actual controlling person) shall be strictly controlled. Further, overseas investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding approval and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for fraudulent purchases and evasion of foreign exchange.

(d) Shareholders of FIREEs are prohibited from guaranteeing a fixed return or a similar guarantee to the other party in any way.

(e) If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the examination and approval authorities for their expansion of scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments.

(f) The local examination and approval authorities must file with MOFCOM their approvals of establishment of FIREEs for the record, and must exercise due control over foreign investments in high-end properties.

(g) For those FIREEs which have not completed the required filing with the MOFCOM, local SAFE administrations and designated foreign exchange banks must not permit any foreign exchange sales and settlements under such FIREEs' capital account.

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment (國務院關於進一步做好利用外資工作的若干意見), promulgated by the State Council on April 6, 2010 and the Notice on Issues Related to Delegation of Powers of Examination and Approval of Foreign Investment to Authorities at Lower Levels (關於下放外商投資審批權限有關問題的通知), promulgated by MOFCOM on June 10, 2010 and abolished on January 1, 2020, MOFCOM's branch at the provincial level is responsible for the examination and approval of the establishment of and changes in foreign-invested enterprises in encouraged or permitted industries with a total investment of less than US$300 million and with a total investment of less than US$50 million in restricted industries. Pursuant to the Administrative Measures for Approval and Recording-filing of Foreign Investment Projects (外商投資項目核準和備案管理辦法), promulgated by NDRC on May 17, 2014, foreign investment in real estate industries or other restricted industries with a total investment of less than US$50 million will be examined and approved by NDRC's branches at the provincial level.

On June 24, 2014, the MOFCOM and SAFE promulgated the Circular on Improving the Record-Filing for Foreign Investment in the Real Estate Sector (關於改進外商投資房地產備案工作的通知) abolished on January 1, 2020, which simplified and changed the current paper record-filing form to the form of electronic data for foreign investment in real estate. Under the circular, a selective examination scheme and a credit system of recording-filing foreign investment will be conducted after the record-filing increase the level of disclosure on violations, and improve the relevant information sharing mechanism. On November 6, 2015, MOFCOM and SAFE jointly enacted the Circular of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Improving the Filing of Foreign Investments in Real Estate (商務部、外匯局關於進一步改進外商投資房地產備案工作的通知), which was effective on the same day and was abolished on January 1, 2020, to further simplify the administrative procedures for foreign-funded real estate companies and cancel the registry publication procedures on the website of the MOFCOM.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Adjusting Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資準入和管理有關政策的通知) which provides, among others, that (i) the ratio of registered capital to total investment of foreign invested real estate enterprises shall be subject to the Tentative Regulations on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (關於中外合資經營企業注冊資本與投資總額比例的暫行規定); (ii) the requirement that a foreign invested real estate company must fully pay its registered capital before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans shall be canceled; (iii) the branches and representative offices of foreign institutions established in China (except the enterprises that are approved to operate real estate businesses) and the foreign individuals who work or study in China may purchase commodity houses for the purposes of self-use or living.

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the "Special Administrative Measures (Negative List) for Foreign Investment Access." According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

On December 26, 2019, the State Council issued the Regulation on Implementing the Foreign Investment Law of the People's Republic of China effective from January 1, 2020. On December 30, 2019, MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Information Report of Foreign Investment (外商投資信息報告辦法), according to which, since January 1, 2020, the relevant reports to the commerce authorities through the enterprise registration system will be required for the establishment of foreign-invested enterprises and the subsequent changes, instead of filing with or obtaining approvals from the commerce authorities. The Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises has been abolished since January 1, 2020.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定), or the Provisions on Administration of Qualifications, promulgated by MOC on March 29, 2000, as amended on May 4, 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. MOC (currently known as MOHURD) oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes: class 1, class 2, class 3 and class 4.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of MOHURD. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.

- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for not more than two additional years. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

On June 30, 2021, the Department of Real Estate Market Supervision of MOHURD issued the Letter on the Reform of the Examination and Approval System for Real Estate Developer Qualification (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). According to the Letter, the real estate development authority has suspended accepting new applications for class 3 and class 4 qualifications since July 1, 2021. The validity of existing class 3, class 4 and provisional qualifications will be extended until the new regulations on real estate developer qualification become effective.

DEVELOPMENT OF A REAL ESTATE PROJECT

Pursuant to the Circular of the State Council on Promulgating the Catalogue of Investment Projects Subject to the Approval of the Government (2016 Edition) (國務院關於發佈政府核準的投資項目目錄 (2016年本)的通知)) issued by State Council on December 12, 2016, which came to effect on the same date, for investment in the construction of fixed-asset investment projects listed in the Catalogue of Approval, the enterprises must report to relevant authorities for approval. Where enterprises invest in the construction of projects beyond Catalogue of Approval, such projects shall be subject to filing procedures.

According to the "Urban and Rural Planning Law of the People's Republic of China" (中華人民共和國城鄉規劃法) enacted by the Standing Committee of the National People's Congress on October 28, 2007 and enforced on January 1, 2008 (amended on April 24, 2015 and April 23, 2019), which repealed the "City Planning Law of the People's Republic of China" (中華人民共和國城市規劃法) enacted by the Standing Committee of the National People's Congress on December 26, 1989 and enforced on April 1, 1990, and the "Measures for Planning Administration of Granting and Transfer of Right to Use Urban State-owned Land" (城市國有土地使用權出讓轉讓規劃管理辦法) enacted by the Ministry of Construction on December 4, 1992 and enforced on January 1, 1993 (amended on January 26, 2011), a property developer shall apply for the Planning Permit for Construction Land (建設用地規劃許可證) from the city and county planning authority under the people's government with the granting contract and the relevant documents of approval, assessment, and record for the proposed real estate project. The granting of a contract without any provisions relating to land planning will be invalidated. In cases where the construction site of buildings, roads, pipelines or other structures is located in a planning zone of a city or county, the construction enterprises or individuals shall apply for a Planning Permit for Construction Works (建設工程規劃許可證) from the city/county planning authority or a people's government at village level designated by the provincial people's governments.

On January 21, 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 a 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.

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by MOHURD on June 25, 2014 and amended on September 28, 2018 and March 30, 2021, a property developer shall, after obtaining the construction land planning permit and the construction work planning permit, apply for a construction work commencement permit (建築工程施工許可證), or Construction Permit, from the construction authority at or above county level, which is a governmental permit for commencing the construction work of a project. In a commodity real estate project, the construction authority will issue such construction work commencement permit to a developer when the following conditions have been satisfied:

- land grant contract has been signed and the construction land planning permit has been obtained;

- the construction work planning permit has been obtained;

- all required demolishing work is completed and the site is substantially ready for construction;

- the construction engineering contractor(s) having competent qualifications has been employed through appropriate approach;

- the fund arrangement, construction drawings and technical data are sufficient for construction. The property developer has promised that the construction fund has been in place. Designing drawings for construction have been passed the examination by construction authority;

- reasonable measures to ensure construction quality and security have been passed the examination by construction authority.

According to the above Measures for the Administration of Construction Permits for Construction Projects, in cases where the investment amount is less than RMB300,000 or the construction area is less than 300 sq.m., such property projects are not required to obtain a Construction Permit. For a property project which requires a Construction Permit under the aforesaid regulations, the real estate developer must apply for such Construction Permit and may not begin construction without a Construction Permit.

On November 1, 1997, the Construction Law of the People's Republic of China (中華人民共和國建築法) was promulgated by the 28th Meeting of the Standing Committee of the Eighth National People's Congress, which became effective as of March 1, 1998 and amended on July 1, 2011 and April 23, 2019. A summary of the important provisions in respect of construction production safety management in the Construction Law is set forth below:

- Construction project production safety management must adhere to the policy of safety and prevention first, and must establish and perfect a system of production safety. Construction project design shall conform to the construction safety procedures and technical standards formulated in accordance with state provisions to ensure the safe execution of the project.

- A building construction enterprise shall work out corresponding safety technical measures according to the characteristics of each construction project when developing its construction plans; for specialty-intensive items of the project, special-purpose designs for safe construction shall be compiled and safety technical measures taken.

- A construction unit shall, pursuant to the relevant state provisions, go through the formalities of application for approval in case of any of the following circumstances:

  (1) need to temporarily occupy sites beyond the approved planned scope;

  (2) possibility of damaging such public facilities as roads, pipes and cables, electricity, postal service and telecommunications;

  (3) need to temporarily suspend the water supply, electricity supply or road traffic;

  (4) need to conduct explosion operations; and

  (5) other circumstances requiring application for approval as prescribed by laws and regulations.

- The competent department of construction administration shall be responsible for the administration of construction safety in production and subject to the guidance and supervision of the competent department of labor in construction safety in production in accordance with law.

On November 24, 2003, the State Council promulgated the Administrative Regulations on Safety in Construction Projects (建設工程安全生產管理條例), which set up sound regulations and rules to curb illegal operations, and make clear the obligations of each participant for construction safety. In addition, the regulations reinforce legal punishment for illegal operations.

According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (國務院辦公廳關於加強和規範新開工項目管理的通知) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development planning, land supply policy and market access standards, completion of all approval and filing procedures, compliance with zoning regulations in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permits or reports.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000 and amended on October 7, 2017 and April 23, 2019, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. On August 1, 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings (民用建築節能條例), which requires that the design and construction of new buildings must meet mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in neither commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by MOHURD on December 2, 2013, and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法) promulgated by MOC on April 4, 2000, as amended by MOHURD on October 19, 2009.

In China, there are two registers of property interests. "Land registration" is effected by the issue of land use right certificates by the relevant authorities to the land users. Land use rights may be assigned, mortgaged or leased. The building registration is effected by the issue of property ownership certificates to the property owners. "Property or building ownership rights" are only related to the building or improvements erected on the land. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law.

LAND FOR PROPERTY DEVELOPMENT

In 1988, the National People's Congress amended the PRC Constitution (中華人民共和國憲法) and the PRC Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land use rights in accordance with the laws and regulations. The PRC Land Administration Law has been further amended on August 29, 1998 and August 28, 2004 and August 26, 2019.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on May 19, 1990 and amended on November 29, 2020, the PRC adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

Under the Regulation on Grant of State-owned Land Use Rights by Agreements (協議出讓國有土地使用權規定) promulgated by the Ministry of Land and Resources on June 11, 2003 and enforced on August 1, 2003, except for the project that must be granted through tender, auction and listing-for-sale as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the land price set by the State. In some areas which has the benchmark land price, the land premium for the transfer by agreement shall not be lower than 70% of the benchmark land price where the land is located.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmlands.

The Notice on Issues Relating to Strengthening the Land Control (關於加強土地調控有關問題的通知) promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

On May 28, 2020, the National People's Congress adopted the PRC Civil Code (中華人民共和國民法典), which became effective on January 1, 2021. According to the Property Rights Part of the Civil Code, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. The payment, reduction or exemption of renewal fees shall be handled in accordance with the provisions of laws and administrative regulations. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

On September 8, 2007, the Ministry of Land and Resources promulgated a Notice on Strengthening the Disposing of Idle Land (關於加大閒置土地處置力度的通知) providing that the grant of state-owned land use right shall be granted by ways of "Cultivated Land." It means that the grant of state-owned land use right can only be transferred after the payment of compensation fees for landing and settlement and completion of the land development at the earlier stage. The notice also prescribes that the state-owned land use rights certificate shall not be issued before the land grant premium for acquisition of land has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which was enforced on November 1, 2007. This regulation requires that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract. On May 21, 2021, the Ministry of Finance, the Ministry of Natural Resources, the SAT and PBOC jointly issued the Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations, instead of natural resources authorities, will be responsible for the collection of state-owned land use rights grant premiums, mineral resources special revenues, sea area use premiums and uninhabited islands use premiums and the pilot scheme has started from July 1, 2021 in certain selected provinces and will be carried out nationwide from January 1, 2022.

On February 27, 2007, the Ministry of Land and Resources and the Ministry of Finance jointly promulgated the Provisional Measures on Financial Administration of Reserve Land Funds (土地儲備資金財務管理暫行辦法) for the purpose of perfecting the land reserve system, strengthening land regulation and control, regulating the operation of the land market, strengthening land administration and regulating land reserve administrative behaviors. Such provisional measures have been replaced by the Measures for the Financial Administration of Land Reserve Fund (土地儲備資金財務管理辦法) promulgated by the Ministry of Land and Resources and the Ministry of Finance on January 17, 2018.

On November 19, 2007, the Ministry of Land and Resources, the Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserve (土地儲備管理辦法), as amended on January 3, 2018, pursuant to which, local authorities should reasonably decide the scale of land reserve in accordance with the macro-control of the land market. Those idle, unoccupied, and low-efficient state-owned construction land inventory shall be used as land reserve in priority. The purpose of reserving such land is to control the property market and promote the appropriate use of land resources.

The State Council issued the Circular on Saving Intensive-use Land (國務院關於促進節約集約用地的通知) on land conservation and improving the efficiency of land use on January 3, 2008, in order to better protect arable land. The circular prescribed that, if land approved for development remains unused for more than two years, it should be recovered by the government according to laws and regulations. If the land remains idle for more than one year and less than two years, land developers should pay a 20% non-usage fee. More than 70 percent of the land used for construction of urban housing should be designated for residential purposes for low-rent units, affordable housing, price-limited housing and smaller units of less than 90 sq.m. The circular also stipulates that lending and financing services will not be provided for illegally used land. Moreover, financial institutions should be very prudent when they provide loans and/or when they examine financing for real estate projects that exceed one year from the start date listed in the land use right granting contract, for which less than of the development area has been completed, or for which less than 1/4 of the investment has been made.

On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知). According to the notice, at least 70% of total land supply must be provisioned for affordable housing, redevelopment of shanty towns and small/medium residential units for self-use and the land supply for large residential units will be strictly controlled and while land supply for villa projects will be banned. The notice also requires that the lowest land grant price must be at least 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit should be at least 20% of the lowest land grant price. The land grant contract must be executed within ten working days after the land transaction is confirmed. The minimum down payment of the land premium will be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year.

To implement the Notice of Firmly Curbing Housing Price in Certain Cities circulated by the State Council (國務院關於堅決遏制部分城市房價過快上漲的通知) on April 17, 2010, on September 21, 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 stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land allocation decision and 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.

On December 19, 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 year 2010; (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) for any land which has been designated for affordable housing, is used for property development against relevant policies the 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 January 26, 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.

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 (禁制用地項目目錄) (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, or (iii) and 20 hectares for large cities and plot ratio which is not more than 1.0.

On June 1, 2012, the MLR revised and promulgated the Measure for the Disposal of Idle Land (閒置土地處置辦法), which further clarified that, 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;

- 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 competent department of land and resources, unless otherwise prescribed by the new Measures 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 right to use the land 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.

However, where the land is idle due to several specified acts of any government or government department, the land administrative authority may, through consultation with the holder of the land use right, choose to extend the time limit for the commencement of land construction and development, withdraw use right to land by providing compensation, or provide another plot of land for exchange, among other options.

On May 22, 2014, the Ministry of Land and Resources promulgated Provisions on the Economical and Intensive Use of Land (節約集約利用土地規定), effective from September 1, 2014 and amended on July 24, 2019, which provided that land and resources authorities shall effectively control the scale of added construction lands in the metropolis; the supply of various lands under compensable use shall be not less than the lowest price standards; it is prohibited to reduce or relieve the land grant price in a disguised form by way of exchanging projects with land, returning fees after collecting them or granting subsidies or awards.

On April 1, 2017, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly promulgated the Circular on Recently Tightening the Management and Control over Residential Properties and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知), which stipulated, among other things, (i) the scale, structure and time sequence of housing land supply will be adjusted in due time according to the commercial housing inventory cycle, and the supply of land (a) with the inventory cycle of more than 36 months shall be suspended, (b) with the inventory cycle of 18 to 36 months shall be reduced, (c) with the inventory cycle of 6 to 12 months shall be increased, and (d) with the inventory cycle of less than six months shall be increased and accelerated; (ii) the local authority will build a fund inspection system to ensure that the real estate developers use own legal funds to acquire land use right; and (iii) the local bidding system of the land use right shall be determined in a flexible manner, according to the local actual status and specific conditions of land.

On May 19, 2018, the Ministry of Housing and Urban-Rural Development promulgated the Circular on Further Maintaining Effective 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 provided that the proportion of residential land shall be enhanced in certain cities and the proportion of residential land in urban construction land is recommended to be not less than 25%.

SALE OF COMMODITY HOUSES

Under the Measures for Administration of Sale of Commodity Houses (商品房銷售管理辦法) promulgated by MOC on April 4, 2001 and enforced on June 1, 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area promulgated by MOC on November 15, 1994 (城市商品房預售管理辦法), as amended on August 15, 2001 and July 20, 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;

- a construction planning permit and a construction permit have been properly obtained;

- funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress, as well as the completion and delivery dates have been properly ascertained; and

- the pre-sale has been registered and a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Under the "Measures for Administration of Sales of Commodity Houses" (商品房銷售管理辦法), commodity buildings may be put to post-completion sale when the following pre-conditions have been satisfied: (a) the property development enterprise offering to sell the post-completion properties shall have an enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained the State-owned Land Use Rights Certificate or other approval documents of land use; (c) the enterprise has the Planning Permit for Construction Works and the Construction Permits; (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 ancillary infrastructure facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other ancillary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; (g) the property management plan has been completed. Before the post-completion sale of a commodity building, the developer must, among other things, submit a real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without 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, prepayment or payment of a similar nature. The Provisions on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate to the public the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties. With respect to the real estate development projects that have received property pre-sale licence 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.

On October 10, 2016, MOHURD promulgated the Circular on Further Regulating the Operation of Real Estate Developers to Protect the Real Estate Market Discipline (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 the related 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.

TRANSFER OF REAL ESTATE

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) promulgated by MOC on August 7, 1995, as amended on August 15, 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another natural person or legal entity. When transferring a property, the ownership of the property and the land use rights to the site on which the property is situated are transferred together. The parties to a transfer must enter into a written real estate transfer contract and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and

- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or

- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes; or

- in the case of the construction of buildings have been completed, the building ownership certificate should have been obtained.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, *inter alia*, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council.

LEASES OF BUILDINGS

Measures for Administration of Leases of Commodity Property (商品房屋租賃管理辦法) promulgated by MOHURD on December 1, 2010 and enforced on February 1, 2011, repealing the Measures for Administration of Leases of Buildings in Urban Areas (城市房屋租賃管理辦法) promulgated by MOC on May 9, 1995 and enforced on June 1, 1995, provides that parties to a lease of a building must enter into a lease contract in writing. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated. If the parties to a leasehold arrangement of a property do not register the lease of properties with the competent authorities, and also fail to correct their behavior within a definite time, they will be subject to fine.

MORTGAGES OF REAL ESTATE

Under the PRC Urban Real Estate Administration Law (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress on July 5, 1994, enforced on January 1, 1995 and amended on August 30, 2007 and August 26, 2019, and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法) promulgated by MOC on May 29, 1997, enforced on June 1, 1999 and amended on August 15, 2001 and March 30, 2021, when a mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage.

The PRC Civil Code (中華人民共和國民法典) promulgated on May 28, 2020 which became effective on January 1, 2021 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies. The Civil Code provides that the mortgage registration of buildings and other objects fixed to land, the right to use construction land and a building under construction shall be gone through, such mortgage right shall be established as of the date of registration. The buildings newly constructed on the land after the mortgage of the right to use construction land may not belong to the mortgaged properties. Such newly constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage right; however, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly constructed buildings.

According to the Interim Regulations on Real Estate Registration (不動產登記暫行條例) promulgated by the State Council on November 24, 2014, implemented on March 1, 2015 and amended on March 24, 2019, the state applies a uniform registration system over real estate.

PROPERTY FINANCE

The 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 June 5, 2003 to specify the requirements for banks to provide loans for the purposes of real estate development and individual home mortgage as follows:

- The real estate loan by commercial banks to real estate development enterprises shall be granted only under the title of real estate development loan and it is strictly forbidden to extend such loans as current capital loan for real estate development projects or other loan items. No lending of any type shall be granted to enterprises which have not obtained the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works;

- Commercial banks shall not grant loans to real estate developers to pay off land premium; and

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 shall remain 20%. In respect of the borrower's loan application for his or her second or more (including the second) residential unit(s), the percentage of the first installment shall be increase.

In a Circular on Facilitating the Continuously Healthy Development of the Real Estate Market (關於促進房地產市場持續健康發展的通知) issued by the State Council on August 12, 2003, a series of measures were adopted by the government to control the real estate market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. Additionally, the government staged a series of measures on lending for residential development, including, among others, improving the loan evaluation and lending process, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by CBRC on August 30, 2004, any real estate developer applying for real estate development loans shall 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準備金存款利率的通知) enacted by the PBOC on March 16, 2005, starting from March 17, 2005, the down payment of individual residential property loan increased from 20% to 30% in cities and areas where property prices grow too quickly.

On May 24, 2006, the State Council forwarded the "Opinion of the Ministry of Construction and Other Departments 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 regulations provide the following:

- Tightening the control of real estate advancing loan facilities. Commercial banks are not allowed to advance their loan facilities to real estate developers who do not have the required 35% or more 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 real estate developers who have a large number of idle lands and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer.

- From June 1, 2006 and onward, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, 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 the Property Market" (關於規範房地產市場外資進入和管理的意見) enforced on July 11, 2006, foreign-invested real estate development enterprises who have not fully paid up their registered capital fund fully, or failed to obtain the State-owned Land Use Rights Certificate, or with under 35% of the total investment for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On September 27, 2007, the PBOC and CBRC jointly promulgated a Circular on Strengthening the Management of Commercial Real Estate Credit Loans (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 real estate loans from commercial banks to prevent granting excessive credit. The measures include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more and the purchaser is buying the property as its own residence;

- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans 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 of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate and (iv) limiting the terms of such bank loans to no more than ten years, although commercial banks are given certain flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to real estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or 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, real estate development loans provided by commercial banks should only be used for projects where commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (擴大商業性個人住房貸款利率下浮幅度支援居民首次購買普通住房的通知) issued by PBOC on October 22, 2008, the minimum amount of down payment for the first-time home buyer has been adjusted to 20% since October 27, 2008.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which raised the minimum down payment to 30% for all first-time house purchases.

It also provides that commercial banks in China shall suspend mortgage loans to purchasers for their third residential property and beyond or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period. In addition, all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

On November 2, 2010, MOHURD, the Ministry of Finance, PBOC and CBRC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provided that, among other things: (i) where a first-time home buyer (including the borrower, spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%; (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time home buyer that uses 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 capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

On January 26, 2011, General Office of the State Council issued 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). According to this Notice, for those households who purchase the second set of housing through loan, the down payment ratio shall not be lower than 60%. The loan interest shall not be lower than 1.1 times the benchmark interest rate. The respective branches of PBOC may raise the down payment ratio and interest rate on loans for second home based on the price control targets set by the local People's Government for newly constructed houses and the policy requirements, and on the basis of national unified credit policies.

On February 26, 2013, the General Office of the State Council issued the Notice on Continuing Adjustment and Control of Property Markets (關於繼續做好房地產市場調控工作的通知) which reaffirmed the above measures. On September 29, 2014, PBOC and CBRC issued the Notice on Further Improvement of Housing Finance Service (關於進一步做好住房金融服務工作的通知), which states that, among other things:

- For the family to purchase its first residential property for private use with an individual loan, the down payment of the purchase shall be 30% of the total purchase price and the minimum of the interest rate of the loan is 70% of the base interest rate, and the specific rate may be determined by the bank at its discretion based on the risk.

- For the family which has already owned one residential property and paid up the relevant loan, should it apply for loan again for the second residential property to improve its living conditions, the bank can treat it as the first residential property for its loan application.

On March 30, 2015, the PBOC, CBRC and Ministry of Housing and Urban-rural Development jointly issued the Notice on Issues of Individual Mortgage Loans Policies (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for a family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow banks at their own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrowers.

Where the family of a worker who pays housing provident fund contributions uses a housing provident fund commission loan to purchase the first residential property to be used as the purchaser's residence, the minimum down payment ratio is 20%; where the family of a worker who already owns one residential property, of which relevant housing loan has been settled, files a new application for a housing provident fund commission loan for purchasing of another residential property as the purchaser's residence for the purpose of improving its living conditions, the minimum down payment ratio is 30%.

On February 1, 2016, the PBOC and CBRC issued the Circular on Issues Concerning Adjusting Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知) which requires that: (i) in the cities without restrictive measures for purchasing houses, the minimum down payment for the purchase shall, in principle, be 25% of the house price with regard to the residential mortgage for first time purchasers of common residential houses, and the said percentage may be lowered by five percentage points in different regions; with respect to resident households that own a residential house with an outstanding residential mortgage but apply for another residential mortgage in order to purchase a second house so as to improve living conditions, the minimum down payment for the purchase shall be at least 30% of the corresponding house price; (ii) in the cities with restrictive measures on purchasing houses, the individual housing loan policies shall be subject to the original provisions.

On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No. 16 [2019], under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

On November 25, 2016, the Shanghai Housing Urban and Rural Construction Management Committee, People's Bank of China Shanghai Branch and China Banking Regulatory Commission Shanghai Regulatory Bureau promulgated the Notice on Promoting the Stable, Healthy and Orderly Development of Shanghai's Real Estate Market and Further Consummating the Differential Housing Credit Policy (關於促進本市房地產市場平穩健康有序發展進一步完善差別化住房信貸政策的通知) (the "Circular 1062"), which, among other things, provides that:

- each housing administrative authority shall strengthen the housing transaction supervision, verify the housing status and information of the purchasers and issue the inspection results according to relevant rules and regulations;

- for any family which purchases its first residential property (namely, the family has no residential property in Shanghai nor any record of commercial housing loan or housing provident fund loan) with individual commercial housing loan, the family is required to pay a down payment of no less than 35% of the purchase price;

- if any of the following conditions is met, for any family which purchases an ordinary residential property with individual commercial housing loan, the family is required to pay a down payment of no less than 50% of the purchase price, and for any family which purchases a non-ordinary residential property with individual commercial housing loan, the family is required to pay a down payment of no less than 70% of the purchase price:

  (1) The family has no residential property in Shanghai but has record(s) of commercial housing loan or housing provident fund loan; or

  (2) The family has one residential property in Shanghai.

On November 29, 2016, the Shanghai Housing Provident Fund Management Committee issued the Circular on Adjusting the Policies of Shanghai Municipality on Housing Provident Fund for Individual Loan (關於調整本市住房公積金個人貸款政策的通知) (the "Circular 18"), which, among other things:

- provides that, for any family which has no residential property in Shanghai nor any record of housing provident fund loan, the residential property bought by such family shall be treated as the first residential property for its loan application and the credit policy remains unchanged.

- provides that, for any family which has no residential property in Shanghai but has one loan record, or has one residential property and intends to purchase the second residential property to improve its living conditions, the residential property bought by such family shall be treated as the second residential property for improving living conditions for its loan application. Under such circumstances:

  (1) the interest rate of housing provident fund for individual loans is adjusted to 110% of the lending interest rate of a first-time residential property purchaser of the same period;

  (2) the maximum loan amount is adjusted to RMB800,000 (or RMB1,000,000 if additional housing fund is applicable) for a family and RMB400,000 (or RMB500,000 if additional housing fund is applicable) for an individual; and

  (3) the down payment shall be no less than 50% of the purchase price for an ordinary residential property and no less than 70% of the purchase price for a non-ordinary residential property.

- prohibits the Shanghai Housing Provident Fund Management Center from providing a loan to any applicant if:

  (1) the family's record already shows two loans;

  (2) the purpose of purchasing a second residential property by the family is not for improving living conditions.

On December 12, 2017, Shanghai Housing Provident Fund Management Committee promulgated the Measures for Shanghai Municipal Housing Provident Fund for Individual Loan (上海市住房公積金個人住房貸款管理辦法), effective from April 1, 2018, which further stipulated the administration measures of housing provident fund for individual housing loans in Shanghai.

On December 28, 2020, the PBOC and CBRC issued the Notice on Establishing the Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which became effective on January 1, 2021. Pursuant to the notice, banking financial institutions are required to limit the ratio between their outstanding property loans and total RMB loans, and the ratio between their outstanding individual housing loans and total RMB loans. The PBOC and CBRC set the limits in five different stages based on factors such as the asset sizes and types of banking financial institutions. At the end of December 2020, if the proportion of property loans and the proportion of individual housing loans of banking financial institutions exceed the management requirements, to those who exceed within two percentage points, the business adjustment transition period will be two years from the date of implementation of this notice; and to those who exceed two percentage points and above, the transition period for business adjustment is four years from the date of implementation of this notice. The business adjustment transition period for the proportion of property loans and the proportion of individual housing loans will be set separately.

On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management etc.

INSURANCE

There is no mandatory provision under the PRC laws, regulations and government rules which would require a property developer to take out insurance policies for their real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of nonperformance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

In light of the "Construction Law of the People's Republic of China" (中華人民共和國建築法) enacted by the Standing Committee of the National People's Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the "Opinions of the MOC on Strengthening the Insurance of Accidental Injury in Construction Work" (建設部關於加強建築意外傷害保險工作的指導意見) by the MOC on May 23, 2003, the MOC further emphasizes the importance of insurance for accidental injury in construction work and put forward the detailed opinions of guidance.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (關於切實穩定住房價格的通知) on March 26, 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. On April 30, 2005, MOC, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and CBRC jointly issued an Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as the selling price, type and GFA as preconditions on land assignment. Local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.

- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date as may be specified in the land grant contract. Land use rights of land that has not been developed for two years must be forfeited without compensation.

- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the entire sales proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted.

- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.

- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be electronically filed with the relevant government agencies immediately after its execution.

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 (關於調整商業銀行住房信貸政策和超額準備金存款利率的通知), promulgated by the PBOC on March 16, 2005, starting from March 17, 2005, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, the minimum down payment ratio for individual housing loans was adjusted from 20% to 30%.

On May 24, 2006, the State Council forwarded the Opinions of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格意見的通知). Such opinions reiterated the existing measures and ushered in additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-sized units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 sq.m. per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more, effective from June 1, 2006;

- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and

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

On July 11, 2006, MOC, NDRC, MOFCOM, PBOC, the State Administration for Industry and Commerce, and SAFE jointly issued an Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (關於規範房地產市場外資準入和管理的意見), or the 171 Opinion. The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among other things, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China.

On September 1, 2006, SAFE and MOC jointly issued a Notice in Respect of Foreign Exchange Issues in the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), or the 47 Notice, to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign-invested real estate enterprise to apply for overseas loans if it has failed to pay its registered capital in full or failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

On September 30, 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties 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), pursuant to which at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-sized units, low-cost rental properties and affordable housing.

On October 22, 2008, the PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting Residents in First-time Purchase of Ordinary Residential Homes (擴大商業性個人住房貸款利率下浮幅度支援居民首次購買普通住房的通知), pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to commercial personal home loans has been extended, the minimum amount of down payment of first-time home buyers has been adjusted to 20% and the interest rate applicable to individual housing loans financed by provident fund has been also reduced.

Regarding deed tax, pursuant to the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property (財政部、國家稅務總局、住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知) jointly promulgated by the Ministry of Finance, State Administration of Taxation and MOHURD on September 29, 2010 and enforced on October 1, 2010, in the case that an individual purchases an ordinary house which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is reduced by half; in the case that an individual purchases an ordinary house with a GFA of 90 sq.m. or less, and which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is levied at a rate of 1%.

On December 20, 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residences and support the real estate developer in handling the market change. Pursuant to this opinion, in order to encourage the consumption of ordinary residences, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of a non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers dealing with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-size "ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In January 2010, the PRC government imposed more stringent requirements on mortgage loans by requiring purchasers who have already purchased a residence through mortgage financing to pay a minimum down payment of 40% of the purchase price for any additional residences. In April 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing Too Rapidly in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知) which, among other things, provides that the minimum down payment for the first property that is larger than 90 sq.m. shall be not less than 30% of the purchase price, down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not lower than 110% the benchmark lending rate published by the PBOC. In certain areas where commodity residential properties are in short supply and prices rise too quickly, the banks may suspend mortgage loans for the third or further properties bought by mortgage applicants or to non-residents who cannot provide any proof of tax or social insurance payment for more than one year.

On January 7, 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who has already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On February 11, 2010, CBRC issued a Notice on Relevant Issues on Strengthening Administration of Real Estate Trust Business of Trust Companies (關於加強信託公司房地產信託業務監管有關問題的通知), which provides that, among other things, real estate projects must meet the following conditions to be eligible for loan financing from trust companies: (1) real estate projects must have obtained land use rights certificates, construction land planning permits, construction works planning permits and construction permits; (2) developers or their controlling shareholders must be qualified as class 2 developers or higher; (3) the capital ratio of the project must satisfy the minimum requirements set by relevant authorities; and (4) trust companies may not provide trust funds to finance the land reserves.

On April 17, 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Prices in Some Cities (堅決遏制部分城市房價過快上漲的通知), or the April 2010 Notice, which provides that: (i) if a first-time home buyer (including a borrower, his or her spouse and children under 18) buys a residence with a unit floor area of more than 90 sq. for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate; (iii) if a third-time or more home buyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised. The April 2010 Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure.

On May 26, 2010, MOHURD, the PBOC and CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among other things, that the number of housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that second-time or more purchasers of housing units will be subject to different credit policies when applying for mortgage loans.

On November 4, 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 an overseas 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 January 26, 2011, General Office of the State Council issued Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of 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). According to this Notice,

- for those households who purchase a second set of housing through loan, the down payment ratio shall not be lower than 60%. The loan interest shall not be lower than 1.1 times the benchmark interest rate.

- all municipalities, cities specifically designated in the State plan, provincial capitals and cities in which housing prices are excessively high or rising rapidly are to formulate and implement measures for restriction of housing purchases strictly within a specified period. In principle, households with local registered residence who have already owned one set of housing and households without local registered residence who are able to produce a local tax payment certificate or a proof of social insurance contribution for a certain number of years shall be restricted to purchasing one set of housing (including newly constructed commodity housing and second-hand housing). In respect to households with local registered residence who have already owned two sets or more housing, households without local registered residence who have already owned one set and more housing, and households without local registered residence who are unable to provide a local tax payment certificate or proof of social insurance contribution for a certain number of years, no houses shall be sold to them within their own administrative area for the time being.

As of November 1, 2011, the people's governments of 47 cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shengyang and Dalian, have 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 January 27, 2011, Shanghai Municipal Government issued Provisional Measure on levying of Property Tax on Part of Individual Residential Properties in Shanghai on a Trial Basis (上海市開展對部分個人住房徵收房產稅試點的暫行辦法). According to this provisional measure, property tax shall be imposed on any second or more residential property purchased by Shanghai residents and any residential property purchased by non-Shanghai residents from January 28, 2011. For Shanghai residents who purchase the second residential property after January 28, 2011, if the construction area per capita of all residential properties owned by the family is no more than 60 sq.m. (the "tax-free construction area"), such newly purchased residential property could be temporarily exempted from property tax; if the construction area per capita of all residential properties owned by the family is more than 60 sq.m., property tax will be levied on the construction area of the newly purchased residential properties, which exceeds the tax-free construction area.

On September 29, 2014, the People's Bank of China and the China Banking Regulatory Commission promulgated the Circular on Further Improving Residential Housing Financial Services (中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知), which stipulates, among other things, that for a household that borrows a loan to purchase its first ordinary owner-occupied residential property, the minimum down payment ratio of such loan shall be 30%, and the floor of the loan interest rate shall be at 0.7 times the benchmark lending rate. Where a household that owns an existing property for which the property purchase loan has been paid off applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant banking financial institution shall adopt the lending policies applicable to the first owner-occupied residential property.

On March 30, 2015, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustment of Policy of Business Tax on Re-sale of Personal Residential Properties (財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知) which repeals the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties promulgated on January 27, 2011 and provides that transfer of residential properties by individuals within two years of purchase is subject to business tax based on the sales income, while the business tax levied on the transfer of non-ordinary residential properties by individuals after two years of purchase is based on the difference between the sales income and the purchase price. In the case of an ordinary residence, business tax is exempted if that transfer occurs after two years from the purchase date.

On March 30, 2015, Circular of the People's Bank of China, the Ministry of Housing and Urban-rural Development and the China Banking Regulatory Commission promulgated on Issues concerning Individual Housing Loan Policies (中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知). According to this regulation, where the household of a resident who owns one home of which relevant housing loan has not been settled files a new application for a commercial individual housing loan for purchasing an ordinary home to be used as its owner's residence for the purpose of improving its living conditions, the minimum down payment ratio is adjusted to not less than 40%.

On September 24, 2015, PBOC and CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving the Relevant Issues concerning the Differential Housing Credit Policy (中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知), which provides that in cities where "property purchase control measures" are not implemented the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of the first ordinary residential property is adjusted to 25%. On September 29, 2015, MOHURD, Ministry of Finance and People's Bank of China jointly issued the Notice of the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and the People's Bank of China on Effectively Raising the Efficiency of Housing Provident Funds Use (住房和城鄉建設部、財政部、中國人民銀行關於切實提高住房公積金使用效率的通知), which took effect on October 8, 2015. The actual amount that can be borrowed by housing provident funds shall be increased. A city with districts where less than 85% of housing provident funds are used by the end of August 2015 shall take into comprehensive consideration the local housing price level, loan demand and borrowers' repayment abilities to increase the actual amount of personal housing loans that can be borrowed by housing provident funds. Under the premise of ensuring the basic living expenses of a borrower, the maximum monthly loan repayment by the borrower shall be controlled within 50% to 60% of his/her monthly income. The loan repayment period may be extended to five years after the borrower's statutory retirement age, subject to a maximum of 30 years. The business of monthly transfer of housing provident funds for loan service shall be pushed forward.

On February 1, 2016, PBOC and CBRC jointly issued the Circular of the People's Bank of China and China Banking Regulatory Commission on Issues Concerning Adjusting the Individual Housing Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知). The circular specifies that, in principle, in the cities where property purchase control measures are not implemented, the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of its first ordinary residential property shall be 25% of the purchase price, however local authorities have been allowed to adjust such down payment ratio to 20%. Meanwhile, with respect to a household that already owns a residential property with unsettled personal housing commercial loan and applies for another personal housing commercial loan to purchase another ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio for that purchase shall be at least 30% of the corresponding purchase price.

On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知) ("Circular 223"), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing false house information and advertisements, maliciously pushing higher and artificially inflating house prices by fabricating or spreading information on rise in property prices and others.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the PRC Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the PRC Administrative Regulations on Environmental Protection for Development Projects (中華人民共和國建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

FOREIGN EXCHANGE CONTROLS

Under the PRC Foreign Currency Administration Rules (中華人民共和國外匯管理條例) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade-related receipts and payments and payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks. On April 13, 2006, the PBOC promulgated the Announcement [2006] No. 5. The announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice, and shall be reported to the foreign exchange bureau for its records. The limits on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts (關於調整經常項目外匯管理政策的通知). The notice abolished the advance examination for opening of current account-related foreign exchange accounts and improved the limits on current account-related foreign exchange accounts.

On July 21, 2005, the PBOC announced that, beginning on July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such two retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction and prior approval from SAFE or its competent branch.

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

On September 1, 2006, SAFE and Ministry of Construction jointly issued a Notice on Regulating Issues Relevant to Administration of Foreign Exchange in the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) which was amended on May 4, 2015. The notice provides: (i) where a foreign-invested real estate enterprise fails to acquire a state-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve the conversion of foreign debt into Renminbi; (ii) where a foreign organization or individual acquires a domestic real estate enterprise, if fail to pay the transfer price in a lump sum by their own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) Chinese and foreign investors of a foreign-invested real estate enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) funds in a foreign exchange account exclusive to foreign investors opened by a foreign organization or individual in a domestic bank shall not be used for real estate development or operation.

On December 25, 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (個人外匯管理辦法). The measures use category administration to classify the individual foreign exchange operations as domestic and overseas by participants in the transaction, and current accounts and capital accounts by the nature of the transaction. The measures set the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals, and provide different procedures for individuals who set foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On January 5, 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (個人外匯管理辦法實施細則) which was amended on May 29, 2016. The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is US$50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange; (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing registration with the foreign exchange bureau through their company or domestic agency institutions; and (v) the administration of foreign exchange on overseas loans, debts, guarantees, etc. for domestic individuals will be gradually opened.

On August 5, 2008, the State Council further amended the PRC Regulations on the Control of Foreign Exchange (中華人民共和國外匯管理條例), under which several provisions have been revised, including:

- removing the compulsory requirement to repatriate foreign currency payments received from abroad by permitting the foreign currency payments to be repatriated back or deposited abroad in accordance with the required conditions and periods;

- removing the compulsory requirement to convert the foreign currency proceeds in the current account into RMB by permitting those proceeds in the current account to be reserved or sold to financial institutions in accordance with the rules;

- allowing domestic institutions and individuals to invest abroad directly or indirectly, subject to the foreign exchange registration and approval or filing as provided by other laws and regulations; and

- adopting the market-determined and managed floating RMB exchange rates system.

On July 4, 2014, SAFE issued Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (國家外匯管理局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) ("Circular 37"), repealing the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) promulgated by SAFE in October 2005. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches before it injects assets or equity interests in an offshore special purpose vehicle which is directly established or controlled by the PRC residents for the purpose of overseas investment and financing. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

On March 30, 2015, SAFE promulgated Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理

方式的通知) ("Circular 19"), which became effective on June 1, 2015. On June 9, 2016, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies Regarding the Settlement under Capital Account (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知) ("Circular 16"). Pursuant to the Circular 19 and the Circular 16, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement, which refers to that the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily determined as 100%. SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments. In addition, the circular facilitates foreign-invested enterprises in carrying out among others domestic equity investment with the capital obtained from foreign exchange settlement.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating the Policies on the Control over Foreign Exchange Settlement of Capital Account (關於改革和規範資本項目結匯管理政策的通知) which provides that, among others, (i) foreign invested enterprise may go through the foreign exchange settlement for their foreign debts at its own discretion; (ii) foreign exchange receipts of capital account, including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing, subject to discretionary settlement as expressly prescribed in the relevant policies, provisionally, may be settled up to 100% with banks according to the actual need of domestic enterprises for business operation and (iii) foreign exchange receipts of capital account and the receipt in Renminbi obtained from foreign exchange settlement shall not be (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by law and regulations; (c) used for the granting of loans to non-affiliated enterprises unless otherwise permitted in business scope of licenses; and (d) except for real estate enterprises, used for the construction or purchase of real estate for purposes other than self-use.

MAINLAND CHINA TAXATION

Because virtually all of our business operations are in mainland China and because we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which may indirectly affect investment in our Notes.

Dividends from Our PRC Operations

Under the PRC tax laws effective prior to January 1, 2008, dividends paid to us by our PRC subsidiaries or joint ventures were exempt from PRC income tax. However, pursuant to the EIT Law, effective on January 1, 2008 and amended on February 24, 2017, and its implementation rules which became effective on January 1, 2008, dividends payable by foreign-invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors may be subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable.

Under the EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the Implementation Rules of the Enterprise Income Tax Law (中華人民共和國企業所得税法實施條例), "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. If a foreign enterprise is held to be a PRC resident enterprise for PRC tax purposes by relevant PRC tax authorities, the dividends (not including investment income from stocks issued publicly by other PRC resident enterprises and traded on stock exchanges where the holding period is less than twelve months consecutively) received by this enterprise from its direct equity investment in other PRC resident enterprises should be exempt from enterprise income tax; if this enterprise is held to be a non-resident enterprise, the dividends received from its direct equity investment in PRC resident enterprises shall be subject to enterprise income tax (withholding tax) at the rate of 10%, unless a preferential rate is provided by applicable tax treaties or arrangements entered into between the PRC and the country or region where this enterprise is established. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

OUR OPERATIONS IN MAINLAND CHINA

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax. Under the PRC Deed Tax Law (中華人民共和國契税法), which became effective on September 1, 2021 and superseded the PRC Interim Regulation on Deed Tax, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions. In October 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions (財政部國家税務總局關於調整房地產交易環節税收政策的通知), pursuant to which, since November 1, 2008, the rate of deed tax has been temporarily reduced to 1% for a first-time home buyer of an ordinary residence with a GFA less than 90 sq.m.; individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax. However, the aforesaid preferential policy regarding deed tax has been replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property jointly promulgated by the Ministry of Finance, the State Administration of Taxation and MOHURD (財政部、國家税務總局、住房和城鄉建設部關於調整房地產交易環節契税個人所得税優惠政策的通知) on September 29, 2010 and enforced on October 1, 2010, pursuant to which, in the case that an individual purchases an ordinary house which is the only house for the family (including the purchaser, the spouse and minor children), deed tax is reduced by half; in the case that an individual purchases an ordinary house with a GFA of 90 sq.m. or below which is the only house for the family, deed tax is levied at a rate of 1%.

Enterprise Income Tax. Prior to the EIT Law and its implementation rules that became effective on January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the EIT Law, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises. The EIT Law and its implementation rules provide certain relief to enterprises that were established prior to March 16, 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of the EIT Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from January 1, 2008 and expire on December 31, 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries may be excluded from such taxable worldwide income. Under the implementation rules of the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus. According to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the PRC tax resident enterprise who distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to PRC laws; however, if the beneficiary of the dividends is a Hong Kong tax resident who directly holds not less than 25% equity of the aforesaid enterprise (i.e., the dividends distributor), the tax levied should be 5% of the distributed dividends. An approval from the local tax authority is required in order to benefit from the lower treaty rate and such lower rate may be denied if the recipient company is a company with no business substance.

Land Appreciation Tax. Under the PRC Interim Regulation on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) of 1994 which was amended on January 8, 2011, and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the deductible items that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with land development;
- construction costs and charges in the case of newly constructed buildings and ancillary facilities;

- assessed value in the case of old buildings and facilities;

- taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and

- other deductible items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the "deductible items" as follows:

Appreciation value	**LAT rate**
Portion not exceeding 50% of the sum of deductible items	30%
Portion over 50% but not more than 100% of the sum of deductible items	40%
Portion over 100% but not more than 200% of the sum of deductible items	50%
Portion over 200% of the sum of deductible items	60%

According to the requirements of the LAT Provisional Regulations, the LAT Detailed Implementation Rules and the Notice issued by the MOF in respect of the Levy and Exemption of LAT for Development and Transfer Contracts signed before January 1, 1994 (財政部關於對一九九四年一月一日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知), which was announced by MOFCOM and State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary residential properties for sale (i.e., residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;

- Real estate taken over or the grant of state-owned land use right of repossessed land which were approved by the government according to laws due to the construction requirements of the state; and

- Due to redeployment of work or improvement of living standards, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to the notice, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and

- first-time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to provide proof with respect to the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

The State Administration of Taxation issued a further notice in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

In December 2006, the State Administration of Taxation issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題通知), which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the Rules on the Administration of the Settlement of Land Appreciation Tax (國家稅務總局關於土地增值稅清算管理規程), which come into force on June 1, 2009.

In May 2010, the State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax (國家稅務總局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 the calculation and settlement of LAT, such as (i) recognition of the revenue upon the settlement of LAT; and (ii) the deduction of fees incurred in connection with the property development.

In May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax (國家稅務總局關於加強土地增值稅徵管工作的通知), which requires that except for affordable residences the minimum LAT prepayment rate shall be 2% for provinces in the eastern region of China, 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 property type.

Urban Land Use Tax. Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988, land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.2 and RMB10 per sq.m. An amendment by the State Council in December 2006 changed the annual tax rate to between RMB0.6 and RMB30 per sq.m. of urban land. The changed rates in detail are as follows:

- between 1.5 yuan and 30 yuan in large cities;

- between 1.2 yuan and 24 yuan in medium cities;

- between 0.9 yuan and 18 yuan in small cities; and

- between 0.6 yuan and 12 yuan in county towns, towns/bases operated under an organizational system, and industrial and mining districts.

According to the provisional regulations, land use tax shall be collected from foreign invested enterprises, foreign enterprises and foreign individuals.

On June 11, 2007, SAT issued the Notice on Canceling Certain Administrative Examination and Approval Items for Local Taxes (關於取消部分地方稅行政審批專案的通知), which came into force as of the date of its issuance. Under this Notice, certain preferential treatments of land use tax have been canceled as follows:

- for certain infrastructure construction projects, in particular the large-scale infrastructure construction projects supported by relevant national industry policies, which need large areas of land and long-term construction but without operational.

- revenue during the construction period, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.

- for real estate development enterprises that have difficulty in paying the land use tax prior to the sale of commercial real estate, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.

- the exemption or reduction of land use tax as a benefit for using land for port construction, electric power industry and coal industry.

Property Tax. Under the PRC Interim Regulations on Property Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council in September 1986 and was amended on January 8, 2011, property tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental. The following categories of buildings shall be exempt from property tax:

- a building of governmental agencies, people's organizations and the armed forces for their own use;

- a building of institutions whose operating expenses are allocated by State finance departments for their own use;

- a building religious temples and shrines' parks and places of historic interest and scenic beauty for their own use;

- a building owned by individuals for non-business purposes; and

- tax exemption approved by the Ministry of Finance for other buildings.

And according to the Notice on Issues Relating to Assessment of Property Tax against Foreign-invested Enterprises and Foreign Individuals (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Tax on January 12, 2009, foreign-invested enterprises, foreign enterprises and foreign individuals are to have been levied the property tax (房產稅) since January 1, 2009.

On January 27, 2011, Shanghai Municipal Government issued the Provisional Measure on Levying of Property Tax on Part of Individual Residential Properties in Shanghai on a Trial Basis (上海市開展對部分個人住房徵收房產稅試點的暫行辦法). According to this Provisional Measure, property tax shall be imposed on any second or more residential property purchased by Shanghai residents and any residential property purchased by non-Shanghai residents from January 28, 2011. For Shanghai residents who purchase the second residential property after January 28, 2011, if the construction area per capita of all residential properties owned by the family is no more than 60 sq.m. (the "tax-free construction area"), such newly purchased residential property could be temporarily exempted from property tax; if the construction area per capita of all residential properties owned by the family is more than 60 sq.m., property tax will be levied on the construction area of the newly purchased residential properties, which excesses the tax-free construction area. The property tax will be provisionally based on 70% of the market price of the taxable residential property with the tax rate at 0.6%. For the taxable residential property whose market price per square meter is no more than two times last year's average sales price of newly constructed commodity residential properties of Shanghai, the tax rate shall temporarily be 0.4%. In February 2011, the Shanghai municipal government announced that for taxable residential properties whose market price is no more than RMB28,426, the tax rate is 0.4%.

Stamp Duty. Under the PRC Interim Regulations on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council in August 1988 and was amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item. Effective from July 1, 2022, the PRC Stamp Duty Law (中華人民共和國印花稅法) promulgated on June 10, 2021 will supersede the PRC Interim Regulations on Stamp Duty.

Municipal Maintenance Tax. Under the PRC Municipal Maintenance Tax Law (中華人民共和國城市維護建設稅法), promulgated by the Standing Committee of the NPC on August 11, 2020 and became effective on September 1, 2021, a taxpayer, whether an individual or otherwise, of value added tax or consumption tax is required to pay municipal maintenance tax calculated on the basis of value added tax or consumption tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

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 (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises promulgated by the Ministry of Finance and the State Administration of Taxation (財政部和國家稅務總局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) in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises were exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Education Surcharge. Under the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council in April 1986 and amended in 1990, August 2005 and January 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax.

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

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

Value Added Tax. Pursuant to the Pilot Proposals for the Transformation from Business Tax to Value Added Tax (營業稅改徵增值稅試點方案) ("Pilot Proposals") promulgated by the Ministry of Finance and the SAT and effective on November 16, 2011, the transformation from business tax to value added tax will take effect on January 1, 2012 in pilot business of pilot areas. Pursuant to the Pilot Proposals, two levels of low Valued Added Tax rates of 11% and 6% are added in the current Valued Added Tax rates which are 17% and 13% respectively. The tax rate for business such as the transportation business and the construction business is 11% and the tax rate for certain other modern service business is 6%.

On June 20, 2013, the State Administration of Taxation issued the Notice on Further Improving the Collection and Administration of Value-Added Tax on Land (關於進一步做好土地增值稅徵管工作的通知). According to the notice, the State Administration of Taxation will standardize collection and administration of Value-added Tax on Land and further strengthen the administration over the Value-added Tax on Land inquisition in the areas including examination of deductible items, reduction in the assessment and collection items and other aspects.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value Added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的

通知) which was promulgated by the Ministry of Finance and the SAT on March 23, 2016 and became effective on May 1, 2016, since May 1, 2016, the government will levy Valued Added Tax in lieu of business tax on a trial basis within the territory of the PRC, and any taxable activities of taxpayers shall be subject to a tax rate of 6% except for the taxpayer providing transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, leasing services of tangible personal property, and any cross-border taxable activity conducted by an entity or individual within the territory.

To provide services related to transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, the tax rate is 11%. To provide leasing services of tangible personal property, the tax rate is 17%. For any cross-border taxable activity conducted by an entity or individual within the territory, the tax rate is zero.

For the general taxpayers of real estate developers who sell the real estate projects (excluding the old real estate projects to which the simple tax calculation method is applicable) developed by them, the sales amount shall be the balance of the total price and other charges gained after deduction of the land price paid to the government departments at the time of acceptance of the transferred land. Old real estate projects refer to the real estate projects with the commencement date indicated on the Construction Permit for Construction Engineering being before April 30, 2016. Where a real estate developer recognized as a general taxpayer sells old real estate projects developed by it, the simple tax calculation method may be adopted, with the tax calculated at a levy rate of 5%.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 by SAT, in the event that a real estate developer recognized as an ordinary taxpayer sells a self-developed real estate project, the general tax calculation method shall be adopted, and the obtained total consideration and other charges after the deduction of the corresponding land price of the real estate project sold for the current period shall be the sales amount.

On November 10, 2016, the SAT issued the Announcement on the Several Provisions on the Collection of Land Appreciation Tax after the Replacement of Business Tax with VAT (關於營改增後土地增值稅若干徵管規定的公告), which clarified several issues concerning administration of collection of LAT after replacement of business tax with VAT, including confirmation of LAT taxable income, confirmation of LAT taxable income from any conduct deemed as the sale of a real estate property after the replacement of business tax with VAT, the deduction of taxes related to real estate transfer, calculation issues concerning the land VAT settlement, confirmation of invoices for building installation project expenses, and calculation of deductible items at the time of transfer of old houses.

Under the Interim Value Added Tax Regulations of the People's Republic of China promulgated by the State Council in December 1993 and amended in November 2008, February 2016 and November 2017, all enterprises and individuals engaged in sale of goods, provision of processing, repairs and replacement services, sales services, intangible properties, real estate, and the importation of goods within the PRC should pay value added tax, the rate of which is between 3% to 17% depending on the type of taxable sales activities provided. To provide services related to transportation, postal, telecom, construction, real estate leasing service, selling real estate, transferring land use right, the tax rate is 11%.

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
Hui Wing Mau (許榮茂)	71	Chairman and executive director
Hui Sai Tan, Jason (許世壇)	44	Vice chairman, President and executive director
Tang Fei (湯沸)	50	Executive director
Lu Yi (呂翼)	37	Executive director
Ye Mingjie (葉明杰)	43	Non-executive director
Kan Lai Kuen, Alice (簡麗娟)	66	Independent non-executive director
Lyu Hong Bing (呂紅兵)	54	Independent non-executive director
Lam Ching Kam (林清錦)	60	Independent non-executive director

DIRECTORS

Executive Directors

Mr. HUI Wing Mau (許榮茂), aged 71, is the chairman and executive director of our Company and the founder of our Group. With over 31 years' experience in property development, property investment and hotel operation, he is primarily responsible for our Group's overall strategic planning and business management. Mr. Hui is currently a member of the Standing Committee of the Thirteenth National Committee of the Chinese People's Political Consultative Conference ("CPPCC"), the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Friendship Association, founding president and chairman of the board of directors of New Home Association, Hong Kong, chairman of Hong Kong Federation of Overseas Chinese Associations, vice president of Friends of Hong Kong Association Ltd. and executive president of China Red Ribbon Foundation etc.. Mr. Hui obtained a master's degree in business administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiying Finance Limited, substantial shareholders of our Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). He has been the chairman and an executive director of our Company since November 8, 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the vice chairman, the president and executive director of our Company and the chairman and executive director of Shimao Services, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Mr. HUI Sai Tan, Jason (許世壇), aged 44, joined our Group in March 2000 and was appointed an executive director, the vice chairman and the president of our Company on November 17, 2004, April 21, 2008 and January 30, 2019, respectively. Mr. Jason Hui obtained a master of science degree in real estate from the University of Greenwich, the United Kingdom in 2001 and a master's degree in business administration from the University of South Australia in 2004. He has more than 22 years' experience in property development and management. He is a member of Shanghai Committee of the CPPCC and the president of New Home Association, Hong Kong. Mr. Jason Hui is also a director of Shanghai Shimao, and the chairman and executive director of Shimao Services. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the chairman, an executive director and a controlling shareholder of our Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Ms. TANG Fei (湯沸), aged 50, joined our Group in July 2004 and was appointed an executive director of our Company since February 6, 2013. Ms. Tang is currently a vice president of our Group, responsible for the financial control of our Group. Ms. Tang is also a non-executive director of Shimao Services. Ms. Tang holds a master's degree in business administration from the University of South Australia and has over 27 years' experience in financial management and internal audit. Prior to joining our Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 Accountants of AIA in China in 2018.

Mr. LU Yi (呂翼), aged 37, joined our Group in 2008 and was appointed an executive director of our Company since January 2, 2020. Mr. Lu is currently a vice president of our Group and the largest regional development controller of our Group, responsible for overseeing the overall operation, development and management of our Group in the Straits district (mainly including Fujian, Guangdong and Hainan). Mr. Lu holds a master's degree from Zhejiang University (浙江大學) and has over 12 years' experience in real estate operation and management.

Non-executive Director

Mr. YE Mingjie (葉明杰), aged 43, was appointed a non-executive director of our Company since January 1, 2021. Mr. Ye is also an executive director and the president of Shimao Services. He joined our Group in February 2004 and successively served as an assistant president of our Group as well as the head of the engineering management center of our Group and was promoted to the position of vice president of our Group in January 2018, where he was responsible for overseeing the engineering management of our Group and the business operations of Shimao Services. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialised in engineering management. Mr. Ye has over 15 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on March 30, 2021.

Independent Non-executive Directors

Ms. KAN Lai Kuen, Alice (簡麗娟), aged 66, has been an independent non-executive director of our Company since March 16, 2006 and has more than 30 years' experience in corporate finance. She is the managing director and the controlling shareholder of Asia Investment Management Limited. She is a licensed responsible officer accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the Hong Kong Stock Exchange: Regal Hotels International Holdings Limited, Cosmopolitan International Holdings Limited, Jolimark Holdings Limited and Shimao Services. She was formerly an independent non-executive director of Mason Group Holdings Limited from 2017 to 2019 and China Energine International (Holdings) Limited from 2008 to 2020, both of which are listed on the Hong Kong Stock Exchange. She was also an independent director of AVIC International Maritime Holdings Limited, a company which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on March 4, 2020, from 2011 to 2020. She is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

Mr. LYU Hong Bing (呂紅兵), aged 54, has been an independent non-executive director of our Company since November 17, 2004. He obtained a master's degree in law from East China University of Political Science and Law in 1991 and has more than 28 years' experience in corporate and securities laws in China. Mr. Lyu currently serves as an independent director of Shandong Airlines Co., Ltd. (a company publicly listed on the main board of Shenzhen Stock Exchange), Shanghai New Huang Pu Industrial Group Co., Ltd. (a company publicly listed on the main board of Shanghai Stock Exchange) and Cambricon Technologies Corporation Limited (a company publicly listed on the STAR Market of the Shanghai Stock Exchange). Mr. Lyu was formerly an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, from 2014 to 2020, and an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited, a company publicly listed on the Hong Kong Stock Exchange, from 2017 to 2020. Mr. Lyu is the chief executive partner of the Grandall Law Firm, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

Mr. LAM Ching Kam (林清錦) (Alias: Jacob Lam), aged 60, has been an independent non-executive director of our Company since June 1, 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a master's degree in business administration from the Hong Kong Open University in 2004 and is a fellow member of the Royal Institution of Chartered Surveyors. He was the vice chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程學會會員) and also a registered China Cost Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 19 years. Mr. Lam has been in the property development and construction industry for 37 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with 信永中和工程管理有限公司 ShineWing Engineering Management Co., Ltd. and he became a partner since October 1, 2016.

CHIEF FINANCIAL OFFICER

Mr. YAU Kwan Shan (丘鈞山) is our chief financial officer of the Company. Mr. Yau is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining our Company, he worked for an international accounting firm and a number of Hong Kong listed companies, with over 28 years of experience in accounting, finance and management.

COMPANY SECRETARY

Ms. LAM Yee Mei, Katherine (林綺薇), is our company secretary. Ms. Lam is an associate member of both The Chartered Governance Institute in the United Kingdom (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and holds a bachelor's degree and a master's degree in law from the University of London. She has over 21 years' experience in company secretarial practice. Ms. Lam plays an important role in supporting the board by ensuring efficient information flow within the board and that board procedures, and all applicable laws, rules and regulations are followed by our Company. Ms. Lam reports to the board through the chairman and vice chairman.

BOARD COMMITTEES

Audit Committee

We have an audit committee in compliance with the Listing Rules. The audit committee consists of three members, all of whom are our independent non-executive directors. The chairman of the audit committee is Ms. Kan Lai Kuen, Alice, an independent non-executive director.

The primary duties of the audit committee are to assist the board to review and supervise the financial reporting process, internal control and risk management systems of our Company, nominate and monitor external auditor and provide advice and comments to our board.

Remuneration Committee

We have a remuneration committee. The remuneration committee consists of three members, comprising our three independent non-executive directors. The chairman of the remuneration committee is Mr. Lyu Hong Bing.

The primary functions of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our directors and senior management and evaluate, make recommendations on our share option scheme, share award scheme, retirement scheme and our performance assessment system and bonus and commission policies.

Nomination Committee

We have a nomination committee. The nomination committee consists of three members, comprising our three independent non-executive directors. The chairman of the nomination committee is Mr. Lam Ching Kam.

The primary functions of the nomination committee are to identify and nominate suitable candidates for our board's consideration and recommendation to stand for election by shareholders at annual general meetings, and when necessary, make recommendations to our board regarding candidates to fill vacancies on our board.

COMPENSATION OF DIRECTORS

The aggregate amount of compensation (including any salaries, other short-term employee benefits and retirement scheme contributions) paid by us during the years ended December 31, 2018, 2019 and 2020, to those persons who have been or are our directors, was approximately RMB19.9 million, RMB20.3 million and RMB20.4 million (US$3.1 million), respectively.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of December 31, 2020 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of interest in our Company
Hui Wing Mau	*(Note 1)*	2,299,242,942	64.99%
Gemfair Investments Limited	*(Note 2)*	1,947,984,000	55.06%
Overseas Investment Group International Limited ("Overseas Investment")	*(Note 3)*	1,947,984,000	55.06%
Shiying Finance Limited	*(Note 4)*	351,258,942	9.93%
The Capital Group Companies, Inc.	*(Note 5)*	215,143,000	6.08%

Notes:

(1) These 2,299,242,942 shares represent the interest in the Company held by Gemfair Investments Limited and Shiying Finance Limited, companies which are directly wholly owned by Mr. Hui Wing Mau.

(2) The interest disclosed represents the interest in the Company held by Gemfair Investments Limited, a company which is directly wholly owned by Mr. Hui Wing Mau.

(3) The interest disclosed represents the right of Overseas Investment to vote on behalf of Gemfair Investments Limited as a shareholder at general meetings of the Company, pursuant to a deed dated June 12, 2006 between Gemfair Investments Limited and Overseas Investment, as long as Mr. Hui Wing Mau or his close associates (directly or indirectly) hold not less than a 30% interest in the Company.

(4) The interest disclosed represents the interest in the Company held by Shiying Finance Limited, a company directly wholly owned by Mr. Hui Wing Mau.

(5) The interest disclosed represents the interest in the Company held by The Capital Group Companies, Inc. through its controlled corporation.

Except as disclosed above, no other interest or short position in the shares and underlying shares of the Company were recorded in the register.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

MAJOR RELATED PARTY TRANSACTIONS

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	For the year ended December 31,				
	2018	2019		2020	
	(RMB)	*(RMB)*	*(US$)* **(Unaudited)**	*(RMB)*	*(US$)* **(Unaudited)**
			(in thousands)		
Major related party transactions:					
Construction material sold to related companies	257,770	247,523	37,935	443,369	67,949
Brand management fee income	–	78,933	12,097	205,468	31,489
Key management compensation					
Emoluments					
– Salaries and other short-term employee benefits	19,774	20,152	3,088	20,247	3,103
– Retirement scheme contributions	132	131	20	152	23

NON-COMPETITION UNDERTAKING

In June 2009, we completed the restructuring with Shanghai Shimao Enterprises Development Co., Ltd. ("Shimao Enterprises") and Shanghai Shimao (the "Restructuring") and, as a result, Shimao Enterprises and Shanghai Shimao became our majority-owned subsidiaries. Upon completion of the Restructuring, we owned an approximately 50.9% equity interest in Shimao Enterprises and an approximately 64.21% equity interest in Shanghai Shimao. On October 27, 2007, our Company, Shanghai Shimao, Shimao Enterprises, Overseas Investment, Mr. Hui Wing Mau, Mr. Xu Shiyong and Shimao International entered into a supplementary agreement ("Revised Undertaking") to a non-competition undertaking dated February 19, 2005 (the "Non-competition Undertaking"), to amend certain non-competition arrangements according to the changes in the relationships among the parties as contemplated upon completion of the Restructuring. Furthermore, in order to reflect the new commercial circumstances in relation to the new non-competition arrangements, our Company, Shanghai Shimao and Mr. Hui Wing Mau also entered into the PRC non-competition agreement dated

October 22, 2007 ("PRC Non-competition Agreement") to substitute certain undertakings previously given by our Company and Shanghai Shimao to each other under the Non-competition Undertaking. Upon completion of the Restructuring, the new non-competition arrangements contemplated under the Revised Undertaking and the PRC Non-competition Agreement became effective. The table below set forth the summary of these new non-competition arrangements:

	Our Group	**Shanghai Shimao**	**Mr. Hui Wing Mau and the Private Group**
Shareholding interests		Approximately 64.21% indirectly owned by our Company	Companies under the Private Group
Principal business	Residential property and hotel projects	Commercial property projects	Continue to hold a number of property development projects in the PRC undertaken by the Private Group prior to the Non-competition Undertaking
Delineation with our Group		Delineation by the nature of the development projects	No new competing business with our Group
Carve-outs		Shanghai Shimao's existing projects in the PRC prior to the PRC Non-competition Agreement	The Private Group's existing projects in the PRC prior to the Revised Undertaking and Mr. Hui Wing Mau's certain personal interest Mr. Hui Wing Mau has the right to engage in property business outside the PRC in the event that our Company decides not to pursue such business

PROVISION OF GUARANTEES BY MR. HUI WING MAU IN FAVOR OF OUR GROUP

Mr. Hui Wing Mau has provided certain guarantees to secure our bank loans. As of December 31, 2020, we had not paid for or provided any benefit to Mr. Hui Wing Mau to induce him to provide these guarantees.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2020, our total outstanding external borrowings amounted to RMB145,143.1 million (US$22,244.1 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to, China Merchants Bank, China Everbright Bank, China ZheShang Bank, China Bohai Bank, Bank of Communications, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, China CITIC Bank, Bank of China, China Minsheng Banking Co., Ltd., The Bank of East Asia, Limited, Postal Savings Bank of China, Bank of Shanghai, Bank of Nanjing Co., Ltd., Bank of Communications International Trust Co., Ltd., Dah Sing Bank, Limited, China Foreign Economy and Trade Trust Co., Ltd. and Hwabao Trust Co., Ltd. These loans are typically project loans to finance the construction of our projects (the "project loans") and have terms ranging from six months to 15 years, which generally correspond to the construction periods of the particular projects. As of December 31, 2020, the aggregate outstanding amount under these project loans totaled approximately RMB60,106.9 million (US$9,211.8 million), of which RMB6,962.2 million (US$1,067.0 million) was due within one year and RMB53,144.7 million (US$8,144.8 million) was due after one year. Our project loans are typically secured by land use rights and properties as well as guaranteed by our Company and certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates are generally subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2020, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.5% per annum.

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 property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;

- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;

- alter the nature or scope of their business operations in any material respect;

- incur additional debts that may adversely affect their ability to repay the loans;

- prepay the loans; and

- transfer part or all of their liabilities under the loans to a third party.

Events of Default

The project loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of December 31, 2020, RMB48,068.0 million (US$7,366.7 million) of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including equity interests in certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the project loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- if the borrower's after-tax profit is nil or negative;

- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or

- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

JULY 2017 NOTES

On July 3, 2017, we entered into an indenture (as amended or supplemented from time to time, the "July 2017 Indenture"), pursuant to which we issued US$600,000,000 principal amount of 4.75% senior notes due 2022 on July 3, 2017 and additional US$400,000,000 principal amount on December 11, 2017. As of the date of this offering memorandum, US$1,000,000,000 principal amount of the July 2017 Notes is outstanding.

Interest

The July 2017 Notes bear an interest rate of 4.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2017 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2017 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2017 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the July 2017 Indenture or the holders of at least 25% of the outstanding July 2017 Notes may declare the principal of the July 2017 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 are required to make an offer to repurchase all outstanding July 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2017 Notes is July 3, 2022.

At any time and from time to time on or after July 3, 2020, the Company may at its option 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, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on July 3 of the years indicated below.

Period	Redemption Price
2020	102.3750%
2021 and therefore	101.1875%

At any time prior to July 3, 2020, we may redeem the July 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2017 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to July 3, 2020, we may redeem up to 35% of the aggregate principal amount of the July 2017 Notes at a redemption price equal to 104.75% of the principal amount of the July 2017 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the July 2017 Notes at a redemption price equal to 100% of the principal amount of the July 2017 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

JANUARY 2018 NOTES

On January 30, 2018, we entered into an indenture (as amended or supplemented from time to time, the "2018 Indenture"), pursuant to which we issued US$500,000,000 principal amount of 5.20% senior notes due 2025. As of the date of this offering memorandum, the entire principal amount of the January 2018 Notes is outstanding.

Interest

The January 2018 Notes bear an interest rate of 5.20% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2018 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

MARCH 2018 NOTES

On March 15, 2018, we entered into an indenture (as amended or supplemented from time to time, the "March 2018 Indenture," pursuant to which we issued CNY2,150,000,000 principal amount of 5.75% senior notes due 2021 (the "Original March 2018 Notes"). On July 3, 2018, we further issued the Additional March 2018 Notes in the principal amount of CNY1,200,000,000, which have been consolidated and form a single series with the Original March 2018 Notes. As of the date of this offering memorandum, the March 2018 Notes has been fully repaid.

Interest

The March 2018 Notes bear an interest rate of 5.75% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2018 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2018 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the March 2018 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 March 2018 Indenture. If an event of default occurs and is continuing, the trustee under the March 2018 Indenture or the holders of at least 25% of the outstanding March 2018 Notes may declare the principal of the March 2018 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

OCTOBER 2018 NOTES

On October 15, 2018, we entered into an indenture (as amended or supplemented from time to time, the "October 2018 Indenture," pursuant to which we issued the October 2018 Notes in the principal amount of US$250,000,000. On December 7, 2018, we further issued the October 2018 Notes in the principal amount of US$570,000,000 pursuant to the October 2018 Indenture. As of the date of this offering memorandum, the entire aggregate principal amount of US$820,000,000 of the October 2018 Notes remained outstanding.

Interest

The October 2018 Notes bear an interest rate of 6.375% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2018 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The October 2018 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the October 2018 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 October 2018 Indenture. If an event of default occurs and is continuing, the trustee under the October 2018 Indenture or the holders of at least 25% of the outstanding October 2018 Notes may declare the principal of the October 2018 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

FEBRUARY 2019 NOTES

On February 21, 2019, we entered into an indenture (as amended or supplemented from time to time, the "February 2019 Indenture," pursuant to which we issued the February 2019 Notes in the principal amount of US$1,000,000,000. As of the date of this offering memorandum, the entire principal amount of the February 2019 Notes remained outstanding.

Interest

The February 2019 Notes bear an interest rate of 6.125% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the February 2019 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The February 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the February 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the February 2019 Indenture or the holders of at least 25% of the outstanding February 2019 Notes may declare the principal of the February 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

JULY 2019 NOTES

On July 15, 2019, we entered into an indenture (as amended or supplemented from time to time, the "July 2019 Indenture," pursuant to which we issued the July 2019 Notes in the principal amount of US$1,000,000,000. As of the date of this offering memorandum, the entire principal amount of the July 2019 Notes remained outstanding.

Interest

The July 2019 Notes bear an interest rate of 5.60% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2019 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2019 Notes when such payments become due, default in payment of interest which continues for 30 consecutive days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the July 2019 Indenture or the holders of at least 25% of the outstanding July 2019 Notes may declare the principal of the July 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

JULY 2020 NOTES

On July 13, 2020, we entered into an indenture (as amended or supplemented from time to time, the "July 2020 Indenture," pursuant to which we issued the July 2020 Notes in the principal amount of US$300,000,000. As of the date of this offering memorandum, the entire principal amount of the July 2020 Notes remained outstanding.

Interest

The July 2020 Notes bear an interest rate of 4.60% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2020 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2020 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the July 2020 Notes when such payments become due, default in payment of interest which continues for 30 consecutive days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the July 2020 Indenture or the holders of at least 25% of the outstanding July 2020 Notes may declare the principal of the July 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

JANUARY 2021 NOTES

On January 11, 2021, we entered into an indenture (as amended or supplemented from time to time, the "January 2021 Indenture," pursuant to which we issued the January 2021 Notes in the principal amount of US$872,000,000. As of the date of this offering memorandum, the entire amount of the January 2021 Notes remained outstanding.

Interest

The January 2021 Notes bear an interest rate of 3.45% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2021 Indenture contains certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- creating liens;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The January 2021 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the January 2021 Notes when such payments become due, default in payment of interest which continues for 30 consecutive days and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the January 2021 Indenture or the holders of at least 25% of the outstanding January 2021 Notes may declare the principal of the January 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

APRIL 2021 NOTES

On April 30, 2021, we issued the April 2021 Notes in the principal amount of US$700,000,000 pursuant to an indenture (as amended or supplemented from time to time, the "April 2021 Indenture"). The April 2021 Notes bear an interest rate of 4.50% per annum, payable semi-annually in arrears. The April 2021 Indenture contains certain customary events of default.

2021 SYNDICATED LOAN FACILITIES

On April 22, 2021, we entered into a dual-currency term loan facilities agreement (the "2021 Syndicated Loan Facilities"), comprising a US$657,500,000 facility and a HK$5,128,500,000 facility, with The Hongkong and Shanghai Banking Corporation Limited as the mandated lead arranger and bookrunner and coordinator, Bank of Communications (Hong Kong) Limited, Sumitomo Mitsui Banking Corporation, China Construction Bank (Asia) Corporation Limited, Chong Hing Bank Limited, Agricultural Bank of China Limited Macao Branch, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, Standard Chartered Bank (Hong Kong) Limited, United Overseas Bank Limited as mandated lead arrangers and bookrunners, CMB Wing Lung Bank Limited, The Bank of East Asia, Limited, DBS Bank (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Limited as mandated lead arrangers, Bank of China Limited, Singapore Branch, Hua Xia Bank Co., Limited Hong Kong Branch as lead arrangers, Fubon Bank (Hong Kong) Limited, Macao Development Bank Limited, Banco Comercial Português, S.A., Macau Branch as arrangers, and The Hongkong and Shanghai Banking Corporation Limited as facility agent.

The proceeds of the 2021 Syndicated Loan Facilities will be used to refinance our existing indebtedness or for general corporate purposes. As of the date of this offering memorandum, we have drawn down US$200,000,000 and HK$1,560,000,000 under these loan facilities.

Interest

Under the facilities agreement, the interest rate applicable for an interest period is LIBOR, in the case of a U.S. dollar loan, or HIBOR, in the case of a Hong Kong dollar loan, in each case, plus a margin of 2.50% per annum. If we fail to pay the sum due on its payment date, we must pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgement. Interest on an overdue amount is payable at a rate determined by the facility agent to be 2% per annum above the rate which would have been payable.

Maturity and Prepayment

The loan facilities are repayable in five semi-annual installments and in the amounts as follows: (i) on the date falling 24 months after the date of the facilities agreement, 5% of the outstanding loan facilities; (ii) on the date falling 30 months after the date of the facilities agreement, 10% of the outstanding loan facilities, (iii) on the date falling 36 months after the date of the facilities agreement, 15% of the outstanding loan facilities; (iv) on the date falling 42 months after the date of the facilities agreement, 20% of the outstanding loan facilities; and (v) on the date falling 48 months after the date of the facilities agreement, 50% of the outstanding loan facilities. We have the right to prepay the facilities by giving not less than 30 business days (or such shorter period as the majority lenders may agree) prior notice to the facility agent.

Guarantee and Indemnity

Our obligations under the facilities agreement are guaranteed by our certain subsidiaries which are incorporated outside of the PRC.

Covenants

The facilities agreement contains customary covenants and restrictions, including, among other things, negative pledge and certain financial covenants.

2019 SYNDICATED LOAN FACILITIES

On August 9, 2019, we entered into a dual-currency term loan facilities agreement (the "2019 Syndicated Loan Facilities"), comprising a US$837,850,000 facility and a HK$3,994,000,000 facility, with HSBC as the mandated lead arranger and coordinator, Shanghai Pudong Development Bank Co., Ltd., Sumitomo Mitsui Banking Corporation, Standard Chartered Bank (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, Bank of China (Hong Kong) Limited as mandated lead arrangers and bookrunners, CMB Wing Lung Bank Limited as lead arranger, and HSBC as Facility Agent.

The proceeds of the 2019 Syndicated Loan Facilities will be used to refinance our existing indebtedness or for general corporate purposes. As of the date of this offering memorandum, we have drawn down US$837,850,000 and HK$3,994,000,000 under these loan facilities.

Interest

Under the facilities agreement, the interest rate applicable for an interest period is LIBOR, in the case of a U.S. dollar loan, or HIBOR, in the case of a Hong Kong dollar loan, in each case, plus a margin of 2.50% per annum. If we fail to pay the sum due on its payment date, we must pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgement. Interest on an overdue amount is payable at a rate determined by the facility agent to be 2% per annum above the rate which would have been payable.

Maturity and Prepayment

The loan facilities are repayable in five semi-annual installments and in the amounts as follows: (i) on the date falling 24 months after the date of the facilities agreement, 5% of the outstanding loan facilities; (ii) on the date falling 30 months after the date of the facilities agreement, 15% of the outstanding loan facilities, (iii) on the date falling 36 months after the date of the facilities agreement, 20% of the outstanding loan facilities; (iv) on the date falling 42 months after the date of the facilities agreement, 20% of the outstanding loan facilities; and (v) on the date falling 48 months after the date of the facilities agreement, 40% of the outstanding loan facilities. We have the right to prepay the facilities by giving not less than 30 business days (or such shorter period as the majority lenders may agree) prior notice to the facility agent.

Guarantee and Indemnity

Our obligations under the facilities agreement are guaranteed by our certain subsidiaries which are incorporated outside of the PRC.

Covenants

The facilities agreement contains customary covenants and restrictions, including, among other things, negative pledge and certain financial covenants.

2018 SYNDICATED LOAN FACILITIES

On September 14, 2018, we entered into a dual-currency term loan facilities agreement (the "2018 Syndicated Loan Facilities"), comprising a US$290,000,000 facility and a HK$2,614,500,000 facility which were further extended on January 25, 2019 to a US$570,000,000 facility and a HK$3,551,500,000 facility, with HSBC as the mandated lead arranger and coordinator, Agricultural Bank of China Limited Macao Branch, Hang Seng Bank Limited, Wing Lung Bank, Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, and Industrial and Commercial Bank of China (Asia) Limited as mandated lead arrangers, Tai Fung Bank Limited as lead arranger, and HSBC as Facility Agent.

The proceeds of the 2018 Syndicated Loan Facilities will be used to refinance our existing indebtedness or for general corporate purposes. As of the date of this offering memorandum, we have drawn down US$570,000,000 and HK$3,551,500,000 under these loan facilities.

Interest

Under the facilities agreement, the interest rate applicable for an interest period is LIBOR, in the case of a U.S. dollar loan, or HIBOR, in the case of a Hong Kong dollar loan, in each case, plus a margin of 2.5% per annum. If we fail to pay the sum due on its payment date, we must pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgement. Interest on an overdue amount is payable at a rate determined by the facility agent to be 2% per annum above the rate which would have been payable.

Maturity and Prepayment

The loan facilities are repayable in five semi-annual installments and in the amounts as follows: (i) on the date falling 24 months after the date of the facilities agreement, 5% of the outstanding loan facilities; (ii) on the date falling 30 months after the date of the facilities agreement, 10% of the outstanding loan facilities, (iii) on the date falling 36 months after the date of the facilities agreement, 15% of the outstanding loan facilities; (iv) on the date falling 42 months after the date of the facilities agreement, 20% of the outstanding loan facilities; and (v) on the date falling 48 months after the date of the facilities agreement, 50% of the outstanding loan facilities. We have the right to prepay the facilities by giving not less than 30 business days (or such shorter period as the majority lenders may agree) prior notice to the facility agent.

Guarantee and Indemnity

Our obligations under the facilities agreement are guaranteed by our certain subsidiaries which are incorporated outside of the PRC.

Covenants

The facilities agreement contains customary covenants and restrictions, including, among other things, negative pledge and certain financial covenants.

2017 SYNDICATED LOAN FACILITIES

On October 30, 2017, we entered into a facility agreement in connection with multi-currency term loan facilities (the "2017 Syndicated Loan Facilities"), comprising a US$680,000,000 facility and a HK$5,890,000,000 facility, with HSBC as mandated lead arranger and coordinator, Sumitomo Mitsui Banking Corporation, China Construction Bank Corporation, Hong Kong Branch, Hang Seng Bank Limited, Bank of Communications Co., Ltd, Hong Kong Branch, The Bank of East Asia, Limited, Bank of China (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Limited, Standard Chartered Bank (Hong Kong) Limited, Wing Lung Bank Ltd, China Minsheng bank Corporation Hong Kong Branch and United Overseas Bank Limited as mandated lead arrangers, and HSBC as facility agent.

The proceeds of the 2017 Syndicated Loan Facilities are to be used to refinance our existing indebtedness or for general corporate purposes. As of the date of this offering memorandum, US$680,000,000 and HK$5,890,000,000 have been drawn down.

Interest

Under the facility agreement, the interest rate applicable for an interest period is LIBOR, in the case of a U.S. dollar loan, or HIBOR, in the case of a Hong Kong dollar loan, in each case, plus a margin of 2.30% per annum. If we fail to pay the sum due on its payment date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment, and interest on an overdue amount (provided that such overdue amount is not a principal amount of the loan) is payable at a rate determined by the facility agent to be 2% per annum above the rate which would have been payable.

Maturity and Prepayment

The loan facilities are repayable in five semi-annual installments and in the amounts as follows: (i) on the date falling 24 months after the date of the credit agreement, 5% of the outstanding loan facilities; (ii) on the date falling 30 months after the date of the credit agreement, 10% of the outstanding loan facilities; (iii) on the date falling 36 months after the date of the credit agreement, 15% of the outstanding loan facilities; (iv) on the date falling 42 months after the date of the credit agreement, 20% of the outstanding loan facilities; and (v) on the date falling 48 months after the date of the credit agreement, 50% of the outstanding loan facilities. We have the right to prepay the facilities by giving not less than 30 days' prior notice (or such shorter period as the facility agent, acting on the instructions of the majority lenders, may agree) to the facility agent.

Guarantee and Indemnity

Our obligations under the credit agreement are guaranteed by our certain subsidiaries which are incorporated outside of the PRC.

Covenants

The facilities agreement contains customary covenants and restrictions, including, among other things, negative pledge and certain financial covenants.

OFFSHORE LOANS

We have entered into offshore loan facility agreements with various banks, including The Bank of East Asia, Limited, China Construction Bank (Asia), Sumitomo Mitsui Banking Corporation Hong Kong Branch, Industrial and Commercial Bank of China Hong Kong Branch, China Merchants Bank Luxembourg Branch, China Merchants Bank Hong Kong Branch, Bank of China Singapore Branch, Standard Chartered Bank (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, United Overseas Bank Limited, Hang Seng Bank Limited, Bank of Communications Co., Ltd. Hong Kong Branch, Wing Lung Bank Limited and China Minsheng Bank Corp. Ltd. Hong Kong Branch. Of these loan facilities, our term loan facilities have terms ranging from 12 months to 60 months. The proceeds of the facilities are generally to be used for general working capital requirements, refinancing the repayment of interest and principal of existing offshore indebtedness or dividend payout. As of the date of this offering memorandum, the aggregate outstanding amount under our offshore loan facility agreements total approximately US$6,726.0 million. The outstanding principal amount under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate and others are computed at a fixed rate ranging from 1.70% to 3.50%.

Pursuant to the facility agreements, we agreed certain financial covenants with respect to, among others, (1) consolidated tangible net worth, (2) the ratio of consolidated net borrowings to consolidated tangible net worth, (3) the ratio of our consolidated current assets to consolidated current liabilities, (4) the ratio of our consolidated EBITDA to consolidated fixed charges, and (5) the ratio of consolidated PRC borrowings to consolidated total tangible assets. We have further agreed, among other things, that we will not declare or pay any dividends or make any other distribution in the form of cash to our shareholders in excess of 35% of our consolidated net profit after tax in any financial year.

ASSET-BACKED NOTES

On September 12, 2017, our wholly-owned subsidiary, Shanghai Shimao International Plaza, completed the placing of a first tranche of asset-backed notes. The first tranche of the asset-backed notes is in an aggregate amount of RMB6.5 billion with an average annual coupon rate of 4.8%, which were redeemed on January 17, 2020.

OTHER OBLIGATIONS

We have provided certain guarantees in connection with borrowing arrangements of certain of our jointly-controlled entities, as described further below. Even though such contingent liabilities are not considered indebtedness in our consolidated financial statements, they are nevertheless treated as indebtedness under the July 2017 Indenture, the 2018 Indenture, the March 2018 Indenture, the October 2018 Indenture, the February 2019 Indenture, the July 2019 Indenture, the July 2020 Indenture and the January 2021 Indenture.

Tianjin Jinnan New City Guarantee

We are developing Tianjin Jinnan New City in Tianjin through Tianjin Jinnan New City Property Development Co., Ltd. ("Tianjin JV Co"), a joint venture with Agile, R&F and KWG in which we hold a 25% interest. On March 27, 2020, Tianjin JV Co, as borrower, entered into a RMB2,800 million term loan facility with certain financial institutions, as lenders. In connection with the loan facilities, we provided a guarantee up to an amount in proportion to our percentage of investment in the joint venture in favor of the lenders.

DESCRIPTION OF THE 2023 NOTES

For purposes of this "*Description of the 2023 Notes*," (i) the term "Company" refers only to Shimao Group Holdings Limited, and any successor obligor on the 2023 Notes, and not to any of its subsidiaries; (ii) the term "Notes" refers to the 2023 Notes; (iii) the term "Indenture" refers to the 2023 Notes Indenture; and (iv) the term "Trustee" refers to the 2023 Note Trustee.

The 2023 Notes are to be issued under an indenture governing such Notes (the "Indenture"), dated as of the Original Issue Date, between the Company and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture and the Notes. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to all of the provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, Citi Tower One Bay East 83 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong.

GENERAL

The Notes will be issued in an initial aggregate principal amount of US$300,000,000 and will mature on September 16, 2023 (the "Maturity Date"), unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (together, the "Additional Notes"), subject to certain limitations described under "*—Further Issues.*" Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "*Description of the 2023 Notes*" include any Additional Notes that are actually issued.

The Notes will bear interest at 3.975% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on March 16 and September 16 of each year (each an "Interest Payment Date"), commencing March 16, 2022.

Interest on the Notes will be paid to the Holders of record at the close of business on March 1 or September 1 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

The Notes will be the direct, unconditional and unsubordinated obligations of the Company, and rank *pari passu* with all other unsecured and unsubordinated obligations of the Company (other than obligations preferred by applicable law) and senior in right of payment to all other indebtedness of the Company that is designated as subordinate or junior in right of payment to the Notes.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the principal paying agent of the Notes, currently located at Citibank, N.A., London Branch, 1 North Wall Quay, Dublin 1, Ireland) and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Trustee, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Company has initially designated Citibank, N.A., London Branch to act as its paying agent (the "Paying Agent"), registrar (the "Registrar") and transfer agent (the "Transfer Agent"). In addition, the Company shall hereafter appoint an exchange agent as soon as reasonably practicable upon receipt of an Exchange Notice (the "Exchange Agent") from a Holder and notify such Holder of such appointment in order to enable holders to exchange the Notes in accordance with the Indenture and as contemplated in this "*Description of the 2023 Notes*." The Company may, however, change the Paying Agent, Registrar, Transfer Agent or Exchange Agent (following such appointment) without prior notice to the holders of the Notes, and the Company may act as Paying Agent, Registrar or Transfer Agent.

The Company will pay principal of, premium, if any, and interest on, Notes in global form registered in the name of a common depositary or its nominee for the accounts of Euroclear and Clearstream in immediately available funds to the common depositary or its nominee, as the case may be, as the registered holder of such global Note. See "*—Book-entry, Delivery and Form*."

A holder of the Notes may transfer or exchange Notes in accordance with the Indenture. The Registrar, a Transfer Agent, the Exchange Agent or the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Company, the Trustee, the Registrar, the Exchange Agent or any Transfer Agent for any registration of transfer or exchange of Notes, but the Company may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption or repurchase. Also, the Company is not required to (i) register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or (ii) if a redemption or a repurchase pursuant to a Change of Control Offer is to occur after an Interest Record Date but on or before the corresponding Interest Payment Date, to register the transfer of or exchange any Note on or after the Interest Record Date and before the date of redemption or repurchase.

The registered holder of a Note will be treated as the owner of it for all purpose.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, issue price and the date of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

OPTIONAL REDEMPTION

At any time and from time to time prior to September 16, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 103.975% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

At any time prior to September 16, 2023, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the greater of (x) 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption and (y) the Make Whole Price.

Selection and Notice

The Company will give not less than 15 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) or any applicable requirements of the clearing systems through which the Notes are held; or

(2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law or by applicable stock exchange or clearing system requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "—*Consolidation, Merger and Sale of Assets*") or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payments are made (or any political subdivision or taxing authority thereof or therein) (together with each Relevant Taxing Jurisdiction, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company or a Surviving Person, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company or a Surviving Person addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) with respect to any payment of the principal of, or premium, if any, or interest on, such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest, on any Note, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment is proposed and becomes effective (i) with respect to the Company on or after the Original Issue Date, or (ii) with respect to any Surviving Person, on or after the date such Surviving

Person becomes a Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company or a Surviving Person, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or a Surviving Person, as the case may be, will deliver to the Trustee:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company or a Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and shall not be obligated to verify the accuracy or content thereof, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed may be cancelled, at the option of the Company.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Liens

So long as any Note remains outstanding, the Company will not, and the Company will not permit any of its Significant Subsidiaries to, create or have outstanding, any Lien, upon the whole or any part of its present or future assets or properties of any kind to secure any Relevant Indebtedness (or to secure for the benefit of holders thereof any guarantee or indemnity in respect of such Relevant Indebtedness) without at the same time or prior thereto according to the Notes (i) the same security equally and ratably as is created or subsisting to secure any such Relevant Indebtedness (or such guarantee or indemnity in respect of such Relevant Indebtedness) or (ii) other security as consented to by the holders of a majority in principal amount of the Notes then outstanding, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Relevant Indebtedness (other than such Relevant Indebtedness secured by Liens described in clauses (1) through (5) below) would not exceed 10.0% of the Company's Tangible Net Worth.

The foregoing restriction will not apply to:

(1) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any Significant Subsidiary or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(2) any Lien on any property or asset securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof (including, in the case of the acquisition of the equity interests of an entity which acquisition is financed by Relevant Indebtedness, a Lien on such equity interests and a Lien on the property or assets of such entity acquired); *provided* that such Lien attaches to such property or assets concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(3) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

(4) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Company or any Significant Subsidiary in respect of Relevant Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or

(5) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Relevant Indebtedness is not increased and is not secured by any additional property or assets.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Relevant Indebtedness proposed to be or previously incurred by the Company in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Relevant Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial report in the English language filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company ending after the Original Issue Date, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants; and

(b) as soon as they are available, but in any event within 90 calendar days after the end of the semi-annual financial period of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(2) So long as any of the Notes remain outstanding, the Company will provide to the Trustee, as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Significant Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing; and

(3) the Company delivers to the Trustee (x) an Officers' Certificate and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture (if any) comply with the Indenture.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

For the avoidance of doubt, for purposes of this covenant, a sale of shares of Capital Stock of a Subsidiary which holds all or substantially all properties and assets of the Company to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Subsidiary where such Subsidiary (i) remains a Subsidiary immediately after such sale and (ii) the Company, immediately after such sale, owns at least 30.0% of the Voting Stock of such Subsidiary shall not constitute a sale of substantially all properties and assets of the Company.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture with respect to the Notes:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "*—Consolidation, Merger and Sale of Assets*" or the failure by the Company to make or consummate an Offer to Purchase in the manner described under the caption "*—Repurchase of Notes upon a Change of Control Triggering Event*;"

(4) the Company defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any indebtedness of the Company or any Subsidiary (other than a Subordinated Shareholder Loan), whether such indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due; and in each case, the outstanding principal amount of any such indebtedness, together with the outstanding principal amount of any other such indebtedness, in the aggregate exceeds the greater of (x) US$80.0 million (or the Dollar Equivalent thereof) and (y) 1% of the Company's Tangible Net Worth;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$50.0 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an

order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect; or

(8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Subsidiary on a pro rata basis or on a basis more favorable to the Company).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture with respect to any Notes, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of Notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders of Notes.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity referred to in (2) and (3) above; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

A Holder of Notes may not use the Indenture to prejudice the rights of another Holder of Notes or to obtain a preference or priority over another Holder of Notes.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are located or resident in the U.S. or are "U.S. Persons" as defined in Regulation S under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture or the Notes may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;

(2) provide for the assumption of the Company's obligations pursuant to the provision described under "*Consolidation, Merger and Sale of Assets*;"

(3) comply with the provisions described under "*Consolidation, Merger and Sale of Assets*;"

(4) evidence and provide for the acceptance of appointment by a successor Trustee;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(7) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(8) make any other change that does not materially and adversely affect the rights of any Holder of Notes; and

(9) conform the text of the Indenture or the Notes to any provision of this "*Description of the 2023 Notes*" to the extent that such provision in this "*Description of the 2023 Notes*" was intended to be a verbatim recitation of a provision of the Indenture or the Notes.

Amendments With Consent of Holders

Except as provided below, amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; *provided* that no such modification, amendment or waiver may, without the consent of each Holder of the Notes affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) reduce the amount payable upon a Change of Control Offer or change the time or manner by which a Change of Control Offer may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event;

(9) change the redemption date or the redemption price of the Notes from that stated under the caption "*—Optional Redemption*" or under the caption "*—Redemption for Taxation Reasons*;"

(10) amend, change or modify the obligation of the Company to pay Additional Amounts; and

(11) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Notes or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE, REGISTRAR, THE EXCHANGE AGENT AND THE PAYING AND TRANSFER AGENT

Citicorp International Limited is to be appointed as Trustee and Citibank, N.A., London Branch is to be appointed as the Paying Agent with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided*, *however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Notwithstanding anything else herein contained or in the Indenture, the Trustee, the Exchange Agent, the Registrar and the Paying Agent may refrain without liability from doing anything that would or might in its reasonable opinion after consultation with its counsel, be contrary to any law of any state or jurisdiction (including but not limited to the United States of America or any jurisdiction forming a part of it and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is, in its reasonable opinion after consultation with its counsel, necessary to comply with any such law, directive or regulation.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

GLOBAL NOTE

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "*—Individual Definitive Notes*," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTE

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*—Additional Amounts.*"

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTE

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "*Transfer Restrictions.*"

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

INDIVIDUAL DEFINITIVE NOTES

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "*—Events of Default*" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or the Trustee) addressed to the Company or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "*Description of the 2023 Notes*" for which no definition is provided.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after the maturity corresponding to the remaining term of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury

Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security or securities having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially

all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 35% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose nomination for election by the shareholders of the Company was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose nomination was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this definition, a sale of shares of Capital Stock of a Subsidiary which holds all or substantially all properties and assets of the Company to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Subsidiary where such Subsidiary (i) remains a Subsidiary immediately after such sale and (ii) the Company immediately after such sale, directly or indirectly, owns at least 30.0% of the Voting Stock of such Subsidiary shall not constitute a sale of substantially all properties and assets of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above. or indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "*—Repurchase of Notes upon a Change of Control Triggering Event*" covenant and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "*—Repurchase of Notes upon a Change of Control Triggering Event*" covenant.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Equity Offering" means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date; (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case to a person other than a Subsidiary of the Company or a Permitted Holder; provided that any offering or placing referred to in (A) clause (i) or (B) clause (ii) or (C) any combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Fitch" means Fitch Ratings, Inc. and its affiliates.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means, with respect to any Person, any Subsidiary any class of Voting Stock of which is listed on a Qualifying Exchange and any Subsidiary of a Listed Subsidiary.

"Make Whole Price" means, with respect to a Note at any redemption date, the sum of (i) the present value of the principal amount of such Note, assuming a scheduled repayment thereof on the Maturity Date, plus (ii) the present value of the remaining scheduled payments of interest to and including the Maturity Date, in each case discounted to the redemption date at the Adjusted Treasury Rate plus 50 basis points.

"Moody's" means Moody's Investors Service, Inc. and its affiliates.

"Net Cash Proceeds" means the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of 2022 Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such 2022 Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes were originally issued under the Indenture.

"Permitted Holders" means any or all of the following:

(1) the W.M. Hui Family Trust, any trustee for the W.M. Hui Family Trust, or Mr. Hui Wing Mau (whether directly or indirectly);

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1) and (2).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Qualifying Exchange" means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or the Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; *provided* that if S&P, Moody's or Fitch, two of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's Fitch, two of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control.

"Rating Decline" means the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event the Notes are rated by both S&P and Fitch on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Trustee by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

"Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, issued outside of the PRC with a tenor of not less than a year (excluding for the avoidance of doubt any syndicated or bilateral loans).

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Significant Subsidiary" means a Subsidiary, or group of Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Stated Maturity" means, (1) with respect to any indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such indebtedness is due and payable as set forth in the documentation governing such indebtedness and (2) with respect to any scheduled installment of principal of or interest on any indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such indebtedness.

"Subordinated Shareholder Loan" means any loan to the Company or any Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity which is "controlled" and consolidated by such Person in accordance with GAAP; *provided* that the term "Subsidiary" shall exclude any Listed Subsidiary.

"Tangible Net Worth" means, at any time, the aggregate of the amounts paid up or credited as paid up on the issued share capital of the Company (other than any redeemable shares) at that time and the aggregate amount of the reserves of the Company on a consolidated basis at that time including: (a) any amount credited to the share premium account; (b) any capital redemption reserve fund; (c) any balance standing to the credit of the consolidated profit and loss account of the Company and (d) any statutory reserves, but deducting (1) any debit balance on the consolidated statement of comprehensive income of the Company, (2) (to the extent included) any amount shown in respect of goodwill (including goodwill arising only on consolidation) or other intangible assets of the Company, (3) (to the extent included) any amount set aside for taxation, deferred taxation or bad debts, (4) (to the extent included) any declared dividend and other distributions to the Company's shareholders to the extent that such dividend or other distribution is not provided for in the most recent financial statements of the Company, and (5) (to the extent included) minority interests, and so that no amount shall be included or excluded more than once.

"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.

DESCRIPTION OF THE 2027 NOTES

For purposes of this "*Description of the 2027 Notes*," (i) the term "Company" refers only to Shimao Group Holdings Limited, and any successor obligor on the 2027 Notes, and not to any of its subsidiaries; (ii) the term "Notes" refers to the 2027 Notes; (iii) the term "Indenture" refers to the 2027 Notes Indenture; and (iv) the term "Trustee" refers to the 2027 Note Trustee.

The 2027 Notes are to be issued under an indenture governing such Notes (the "Indenture"), dated as of the Original Issue Date, between the Company and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture and the Notes. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to all of the provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, Citi Tower One Bay East 83 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong.

GENERAL

The Notes will be issued in an initial aggregate principal amount of US$748,000,000 and will mature on January 16, 2027 (the "Maturity Date"), unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (together, the "Additional Notes"), subject to certain limitations described under "*—Further Issues.*" Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "*Description of the 2027 Notes*" include any Additional Notes that are actually issued.

The Notes will bear interest at 5.20% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on January 16 and July 16 of each year (each an "Interest Payment Date"), commencing January 16, 2022, except that the first payment of interest, to be made on January 16, 2022, will be in respect of the period from and including September 16, 2021 to but excluding January 16, 2022.

Interest on the Notes will be paid to the Holders of record at the close of business on January 1 or July 1 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

The Notes will be the direct, unconditional and unsubordinated obligations of the Company, and rank *pari passu* with all other unsecured and unsubordinated obligations of the Company (other than obligations preferred by applicable law) and senior in right of payment to all other indebtedness of the Company that is designated as subordinate or junior in right of payment to the Notes.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the principal paying agent of the Notes, currently located at Citibank, N.A., London Branch, 1 North Wall Quay, Dublin 1, Ireland) and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Trustee, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Company has initially designated Citibank, N.A., London Branch to act as its paying agent (the "Paying Agent"), registrar (the "Registrar") and transfer agent (the "Transfer Agent"). In addition, the Company shall hereafter appoint an exchange agent as soon as reasonably practicable upon receipt of an Exchange Notice (the "Exchange Agent") from a Holder and notify such Holder of such appointment in order to enable holders to exchange the Notes in accordance with the Indenture and as contemplated in this "*Description of the 2027 Notes*". The Company may, however, change the Paying Agent, Registrar, Transfer Agent or Exchange Agent (following such appointment) without prior notice to the holders of the Notes, and the Company may act as Paying Agent, Registrar or Transfer Agent.

The Company will pay principal of, premium, if any, and interest on, Notes in global form registered in the name of a common depositary or its nominee for the accounts of Euroclear and Clearstream in immediately available funds to the common depositary or its nominee, as the case may be, as the registered holder of such global Note. See "*—Book-entry, Delivery and Form*."

A holder of the Notes may transfer or exchange Notes in accordance with the Indenture. The Registrar, a Transfer Agent, the Exchange Agent or the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Company, the Trustee, the Registrar, the Exchange Agent or any Transfer Agent for any registration of transfer or exchange of Notes, but the Company may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption or repurchase. Also, the Company is not required to (i) register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or (ii) if a redemption or a repurchase pursuant to a Change of Control Offer is to occur after an Interest Record Date but on or before the corresponding Interest Payment Date, to register the transfer of or exchange any Note on or after the Interest Record Date and before the date of redemption or repurchase.

The registered holder of a Note will be treated as the owner of it for all purpose.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, issue price and the date of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

OPTIONAL REDEMPTION

At any time and from time to time on or after September 16, 2024, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on September 16 of the years indicated below:

Period	Redemption Price
2024	102.6%
2025 and thereafter	101.3%

At any time and from time to time prior to September 16, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.20% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

At any time prior to September 16, 2024, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the greater of (x) 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption and (y) the Make Whole Price.

Selection and Notice

The Company will give not less than 15 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) or any applicable requirements of the clearing systems through which the Notes are held; or

(2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law or by applicable stock exchange or clearing system requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "—*Consolidation, Merger and Sale of Assets*") or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payments are made (or any political subdivision or taxing authority thereof or therein) (together with each Relevant Taxing Jurisdiction, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company or a Surviving Person, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company or a Surviving Person addressed to the Holder to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) with respect to any payment of the principal of, or premium, if any, or interest on, such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest, on any Note, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment is proposed and becomes effective (i) with respect to the Company on or after the Original Issue Date, or (ii) with respect to any Surviving Person, on or after the date such Surviving Person becomes a Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company or a Surviving Person, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or a Surviving Person, as the case may be, will deliver to the Trustee:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company or a Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and shall not be obligated to verify the accuracy or content thereof, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed may be cancelled, at the option of the Company.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Liens

So long as any Note remains outstanding, the Company will not, and the Company will not permit any of its Significant Subsidiaries to, create or have outstanding, any Lien, upon the whole or any part of its present or future assets or properties of any kind to secure any Relevant Indebtedness (or to secure for the benefit of holders thereof any guarantee or indemnity in respect of such Relevant Indebtedness) without at the same time or prior thereto according to the Notes (i) the same security equally and ratably as is created or subsisting to secure any such Relevant Indebtedness (or such guarantee or indemnity in respect of such Relevant Indebtedness) or (ii) other security as consented to by the holders of a majority in principal amount of the Notes then outstanding, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Relevant Indebtedness (other than such Relevant Indebtedness secured by Liens described in clauses (1) through (5) below) would not exceed 10.0% of the Company's Tangible Net Worth.

The foregoing restriction will not apply to:

(1) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any Significant Subsidiary or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(2) any Lien on any property or asset securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof (including, in the case of the acquisition of the equity interests of an entity which acquisition is financed by Relevant Indebtedness, a Lien on such equity interests and a Lien on the property or assets of such entity acquired); *provided* that such Lien attaches to such property or assets concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(3) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

(4) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Company or any Significant Subsidiary in respect of Relevant Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or

(5) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Relevant Indebtedness is not increased and is not secured by any additional property or assets.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Relevant Indebtedness proposed to be or previously incurred by the Company in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Relevant Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial report in the English language filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company ending after the Original Issue Date, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants; and

(b) as soon as they are available, but in any event within 90 calendar days after the end of the semi-annual financial period of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(2) So long as any of the Notes remain outstanding, the Company will provide to the Trustee, as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Significant Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing; and

(3) the Company delivers to the Trustee (x) an Officers' Certificate and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture (if any) comply with the Indenture.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

For the avoidance of doubt, for purposes of this covenant, a sale of shares of Capital Stock of a Subsidiary which holds all or substantially all properties and assets of the Company to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Subsidiary where such Subsidiary (i) remains a Subsidiary immediately after such sale and (ii) the Company, immediately after such sale, owns at least 30.0% of the Voting Stock of such Subsidiary shall not constitute a sale of substantially all properties and assets of the Company.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture with respect to the Notes:

(1) default in the the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "*—Consolidation, Merger and Sale of Assets*" or the failure by the Company to make or consummate an Offer to Purchase in the manner described under the caption "*—Repurchase of Notes upon a Change of Control Triggering Event*;"

(4) the Company defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any indebtedness of the Company or any Subsidiary (other than a Subordinated Shareholder Loan), whether such indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due; and in each case, the outstanding principal amount of any such indebtedness, together with the outstanding principal amount of any other such indebtedness, in the aggregate exceeds the greater of (x) US$80.0 million (or the Dollar Equivalent thereof) and (y) 1% of the Company's Tangible Net Worth;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$50.0 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for any substantial part of the property and assets of the Company or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect; or

(8) the Company or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Subsidiary on a pro rata basis or on a basis more favorable to the Company).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture with respect to any Notes, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of Notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders of Notes.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity referred to in (2) and (3) above; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

A Holder of Notes may not use the Indenture to prejudice the rights of another Holder of Notes or to obtain a preference or priority over another Holder of Notes.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are located or resident in the U.S. or are "U.S. Persons" as defined in Regulation S under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture or the Notes may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;

(2) provide for the assumption of the Company's obligations pursuant to the provision described under "*Consolidation, Merger and Sale of Assets*;"

(3) comply with the provisions described under "*Consolidation, Merger and Sale of Assets*;"

(4) evidence and provide for the acceptance of appointment by a successor Trustee;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(7) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(8) make any other change that does not materially and adversely affect the rights of any Holder of Notes; and

(9) conform the text of the Indenture or the Notes to any provision of this "*Description of the 2027 Notes*" to the extent that such provision in this "*Description of the 2027 Notes*" was intended to be a verbatim recitation of a provision of the Indenture or the Notes.

Amendments With Consent of Holders

Except as provided below, amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; *provided* that no such modification, amendment or waiver may, without the consent of each Holder of the Notes affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) reduce the amount payable upon a Change of Control Offer or change the time or manner by which a Change of Control Offer may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event;

(9) change the redemption date or the redemption price of the Notes from that stated under the caption "*—Optional Redemption*" or under the caption "*—Redemption for Taxation Reasons*;"

(10) amend, change or modify the obligation of the Company to pay Additional Amounts; and

(11) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture, or in any of the Notes or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE, REGISTRAR, THE EXCHANGE AGENT AND THE PAYING AND TRANSFER AGENT

Citicorp International Limited is to be appointed as Trustee and Citibank, N.A., London Branch is to be appointed as the Paying Agent with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided*, *however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Notwithstanding anything else herein contained or in the Indenture, the Trustee, the Exchange Agent, the Registrar and the Paying Agent may refrain without liability from doing anything that would or might in its reasonable opinion after consultation with its counsel, be contrary to any law of any state or jurisdiction (including but not limited to the United States of America or any jurisdiction forming a part of it and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is, in its reasonable opinion after consultation with its counsel, necessary to comply with any such law, directive or regulation.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

GLOBAL NOTE

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "*—Individual Definitive Notes*," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTE

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*—Additional Amounts.*"

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTE

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "*Transfer Restrictions.*"

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

INDIVIDUAL DEFINITIVE NOTES

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "*—Events of Default*" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or the Trustee) addressed to the Company or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "*Description of the 2027 Notes*" for which no definition is provided.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after the maturity corresponding to the remaining term of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security or securities having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 35% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose nomination for election by the shareholders of the Company was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose nomination was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this definition, a sale of shares of Capital Stock of a Subsidiary which holds all or substantially all properties and assets of the Company to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Subsidiary where such Subsidiary (i) remains a Subsidiary immediately after such sale and (ii) the Company immediately after such sale, directly or indirectly, owns at least 30.0% of the Voting Stock of such Subsidiary shall not constitute a sale of substantially all properties and assets of the Company.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above. or indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "*—Repurchase of Notes upon a Change of Control Triggering Event*" covenant and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "*—Repurchase of Notes upon a Change of Control Triggering Event*" covenant.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Equity Offering" means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date; (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case to a person other than a Subsidiary of the Company or a Permitted Holder; provided that any offering or placing referred to in (A) clause (i) or (B) clause (ii) or (C) any combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Fitch" means Fitch Ratings, Inc. and its affiliates.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiary" means, with respect to any Person, any Subsidiary any class of Voting Stock of which is listed on a Qualifying Exchange and any Subsidiary of a Listed Subsidiary.

"Make Whole Price" means, with respect to a Note at any redemption date, the sum of (i) the present value of the principal amount of such Note, assuming a scheduled repayment thereof on the Maturity Date, plus (ii) the present value of the remaining scheduled payments of interest to and including the Maturity Date, in each case discounted to the redemption date at the Adjusted Treasury Rate plus 50 basis points.

"Moody's" means Moody's Investors Service, Inc. and its affiliates.

"Net Cash Proceeds" means the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of 2022 Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such 2022 Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such

Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means the date on which the Notes were originally issued under the Indenture.

"Permitted Holders" means any or all of the following:

(1) the W.M. Hui Family Trust, any trustee for the W.M. Hui Family Trust, or Mr. Hui Wing Mau (whether directly or indirectly);

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1) and (2).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Qualifying Exchange" means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or the Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch; *provided* that if S&P, Moody's or Fitch, two of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's Fitch, two of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's and "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control.

"Rating Decline" means the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event the Notes are rated by both S&P and Fitch on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Trustee by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

"Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, issued outside of the PRC with a tenor of not less than a year (excluding for the avoidance of doubt any syndicated or bilateral loans).

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Significant Subsidiary" means a Subsidiary, or group of Subsidiaries, that would, when taken together, be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Stated Maturity" means, (1) with respect to any indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such indebtedness is due and payable as set forth in the documentation governing such indebtedness and (2) with respect to any scheduled installment of principal of or interest on any indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such indebtedness.

"Subordinated Shareholder Loan" means any loan to the Company or any Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity which is "controlled" and consolidated by such Person in accordance with GAAP; *provided* that the term "Subsidiary" shall exclude any Listed Subsidiary.

"Tangible Net Worth" means, at any time, the aggregate of the amounts paid up or credited as paid up on the issued share capital of the Company (other than any redeemable shares) at that time and the aggregate amount of the reserves of the Company on a consolidated basis at that time including: (a) any amount credited to the share premium account; (b) any capital redemption reserve fund; (c) any balance standing to the credit of the consolidated profit and loss account of the Company and (d) any statutory reserves, but deducting (1) any debit balance on the consolidated statement of comprehensive income of the Company, (2) (to the extent included) any amount shown in respect of goodwill (including goodwill arising only on consolidation) or other intangible assets of the Company, (3) (to the extent included) any amount set aside for taxation, deferred taxation or bad debts, (4) (to the extent included) any declared dividend and other distributions to the Company's shareholders to the extent that such dividend or other distribution is not provided for in the most recent financial statements of the Company, and (5) (to the extent included) minority interests, and so that no amount shall be included or excluded more than once.

"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.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstance, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to any capital gains, income or corporation tax in the Cayman Islands. The Cayman Islands currently have no exchange control restrictions and are not party to any double taxation treaties. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("CI$")) unless stamp duty of CI$500 has been paid in respect of the entire issue of the Notes.

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from November 23, 2004.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) and interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale, redemption or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue, redemption or transfer of the Notes as the Notes are not denominated in H.K. dollars and not redeemable in H.K. dollars.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, or 20% for "non-resident individuals" investors (or lower treaty rate, if any), if we are deemed to be a PRC "resident enterprise" and the interest is deemed as PRC-source income. Any gain realized on the transfer of the Notes by such "non-resident enterprises" investors would be subject to a 10%, or 20% for "non-resident individuals" investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC "resident enterprise". As advised by Commerce & Finance Law Offices, PRC legal counsel to the Initial Purchaser, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. See "Risk Factors—Risks Relating to the Notes —Under the EIT Law we may be classified as a "resident enterprise" of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes." If we are treated as a PRC "resident enterprise," the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement to be dated the date of the offering memorandum (the "Purchase Agreement"), the Initial Purchasers have agreed to purchase from us, and we agree to sell to the Initial Purchasers, US$300,000,000 in an aggregate principal amount of the 2023 Notes set forth opposite their respective names below and US$748,000,000 in an aggregate principal amount of the 2027 Notes set forth opposite their respective names below:

Initial Purchasers	**Principal Amount of 2023 Notes**	**Principal Amount of 2027 Notes**
The Hongkong and Shanghai Banking Corporation Limited	US$54,000,000	US$134,640,000
J.P. Morgan Securities plc	US$54,000,000	US$134,640,000
Morgan Stanley & Co. International plc	US$54,000,000	US$134,640,000
BOCOM International Securities Limited	US$24,000,000	US$59,840,000
China International Capital Corporation Hong Kong Securities Limited	US$24,000,000	US$59,840,000
Fortune (HK) Securities Limited	US$18,000,000	US$44,880,000
SMBC Nikko Securities (Hong Kong) Limited	US$30,000,000	US$74,800,000
Standard Chartered Bank	US$18,000,000	US$44,880,000
United Overseas Bank Limited	US$24,000,000	US$59,840,000
Total	US$300,000,000	US$748,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to purchase the Notes is subject to approval of certain legal matters by counsel and to certain other conditions. The Purchase Agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes. The Purchase Agreement provides that the Company will pay the Initial Purchasers a customary commission.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

In the Purchase Agreement, we have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that such listing will be obtained or maintained. The Initial Purchasers have advised us that it may make a market in the Notes, but it is not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in its sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering of the Notes, the Stabilization Managers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Stabilization Managers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If any Stabilization Managers engage in stabilizing or syndicate covering transactions, it may discontinue them at any time.

The Initial Purchasers and their respective affiliates perform various financial advisory, investment banking and commercial banking services from time to time for us and our affiliates and may be paid fees in connection with such services from time to time. We may from time to time enter into hedging or other derivative transactions, including swap agreements, future or forward contracts, option agreements or other similar arrangements, as part of our risk management strategy with the Initial Purchasers or their affiliates, which may include transactions relating to our obligations under the Notes, all to the extent permitted under the Indentures. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indentures.

The Initial Purchasers or certain of their respective affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribute.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of us in such jurisdiction.

No action is being taken or is contemplated by us that would permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the third business day following the pricing date of the Notes (this settlement cycle being referred to as "T+3"). Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or next two succeeding business days should consult their own legal adviser.

UNITED STATES

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

CANADA

The Notes may be sold, directly or indirectly, by the Initial Purchasers only in Canada or any province or territory thereof to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Upon receipt of this document, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Prohibition of Sales to United Kingdom Retail Investors

The Notes may not be offered, sold or otherwise made available 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 EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA.

Other Regulatory Restrictions in the United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

HONG KONG

Each Initial Purchaser represents and agrees that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the SFO) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of C(WUMP)O); 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

JAPAN

The Notes 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 "FIEA") and accordingly, the Initial Purchaser has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, "Japanese Person" shall mean any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949 as amended)).

SINGAPORE

Each Initial Purchaser acknowledges that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each Initial Purchaser represents and agrees that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, and will not circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(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 Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws;

   - the Notes are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the U.S. Securities Act; and

   - unless so registered, the Notes may not be sold or otherwise transferred within the United States except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that the Notes may be offered, sold or otherwise transferred only:

   (a) to us;

   (b) under a registration statement that has been declared effective under the U.S. Securities Act;

   (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or

   (d) under any other available exemption from the registration requirements of the Securities Act,

   subject in each of the above cases 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.

5. You also acknowledge that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, RESOLD, TRANSFERRED OR DELIVERED WITHIN THE UNITED STATES UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated BBB- by Fitch Ratings. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The rating does not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of BBB- with a stable outlook by Standard and Poor's Rating Services, a corporate family rating of Ba1 with a positive outlook by Moody's Investors Service and a long-term foreign currency issuer default rating of BBB- with a stable outlook by Fitch Ratings. We cannot assure you that the ratings on the Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Harney Westwood & Riegels as to matters of Cayman Islands 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 Commerce & Finance Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

Our consolidated financial statements as of and for the years ended December 31, 2019 and 2020 included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, our independent auditor, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands and Hong Kong in connection with the issue and performance of the Notes. The entering into of the Indentures and the issue of the Notes have been authorized by a resolution of our board of directors dated September 10, 2021.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

For so long as any of the Notes is outstanding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Consolidated Financial Statements" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	2023 Notes	**2027 Notes**
ISIN	XS2385392779	XS2385392936
Common Code	238539277	238539293

LISTING OF THE NOTES

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Financial Statements as of and for the year ended December 31, 2020

Audited Financial Statements as of and for the year ended December 31, 2019

Note:

(1) Our audited consolidated financial statements set out herein have been reproduced from our annual reports for the years ended December 31, 2019 and 2020 and page references are references to pages set forth in such annual reports. The audited consolidated financial statements have not been prepared for the inclusion in this offering memorandum.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shimao Group Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shimao Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Fair value assessment of investment properties
- Impairment assessment of goodwill

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value assessment of investment properties	
Refer to note 2.7 "Summary of significant accounting policies – Investment property" and note 8 "Investment properties" to the consolidated financial statements. *The Group's investment properties were measured at fair value of RMB63,176 million as at 31 December 2020, with net revaluation gains of RMB398 million recorded in the consolidated statement of comprehensive income for the year then ended.* *Management has engaged independent external valuer to assist in determination of the fair value of investment properties. The determination of the fair value involved significant management judgements and estimates, including the adoption of appropriate valuation methodologies (term and reversionary method and residual method) and the use of significant assumptions in the valuation (mainly including capitalisation rates, market rent, market price, estimated costs to be incurred to completion and the developer's estimated profit margin).* *We consider this area a key audit matter due to the significant management judgements and estimates adopted in the fair value assessment of the investment properties given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.*	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the key controls over the fair value assessment of the investment properties, including the review and approval of assumptions and data input, based on approved budget, used in the valuation. (iii) We assessed the competence, capabilities and objectivity of the independent external valuer engaged by management. (iv) We assessed the appropriateness of the valuation methodologies adopted with the assistance from our internal valuation experts. (v) We assessed the capitalisation rates with reference to comparable companies and the assistance from our internal valuation experts. (vi) We assessed the market rent and market price, on a sample basis, by comparing to the recent lease or sales transactions of the Group and market data of comparable properties. (vii) We assessed the estimated costs to be incurred to completion and the developer's estimated profit margin, on a sample basis, by comparing to management approved project budgets; we also compared the actual costs of the newly completed properties to their budget costs to assess the reliability of the project budgets. (viii) We assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on significant assumptions to an extent that results in significant change to the valuation of the investment properties. Based upon the above procedures, we found that the methodologies, significant management judgements and estimates adopted in the fair value assessment of the investment properties were supported by available evidences.

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to note 2.8 "Summary of significant accounting policies – Intangible assets – goodwill" and note 9 "Intangible assets" to the consolidated financial statements. *As at 31 December 2020, the Group had goodwill of RMB3,054 million, in which goodwill in relation to the acquisition of Shanghai Shimao Co., Ltd., a subsidiary listed in PRC stock market amounted to RMB1,710 million, and goodwill in relation to the acquisition of certain property management groups by Shimao Services Holdings Limited, a subsidiary listed in HK stock market, amounted to RMB1,214 million.* *Management is required to assess goodwill impairment on an annual basis. Management considered each of the acquired group a separate group of cash-generating units ("CGU"). Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations used the discounted cash flow forecast based on approved budgets.* *Significant management judgements and estimates were involved in the goodwill impairment assessment, including the adoption of methodologies and the use of significant assumptions, which mainly include revenue growth rates, gross margins and pre-tax discount rates.* *We consider this area a key audit matter due to the significant management judgements and estimates adopted in the goodwill impairment assessment given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.*	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the key controls over the impairment assessment of goodwill, including the review and approval of assumptions and data input, based on approved budget, used in the assessment. (iii) We assessed the appropriateness of the methodologies adopted with the assistance from our internal valuation experts, and assessed the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business. (iv) We assessed the revenue growth rates and gross margins by comparing to management approved budget, historical data, available market data and industry information. (v) We assessed the pre-tax discount rates with reference to comparable companies and the assistance from our internal valuation experts. (vi) We also compared the current year's actual performance with the prior year's budget and management plan to assess the quality of management's assessment. (vii) We assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on significant assumptions to an extent that results in goodwill being impaired. Based upon the above procedures, we found that the methodologies, significant management judgements and estimates adopted in the goodwill impairment were supported by available evidences.

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 the 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 are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**16,864,312**	15,922,942
Right-of-use assets	7	**8,316,268**	8,217,754
Investment properties	8	**63,175,590**	56,062,747
Intangible assets	9	**3,826,812**	2,009,346
Investments accounted for using the equity method	11	**30,936,756**	24,167,175
Amounts due from related parties	12	**1,978,774**	1,440,840
Financial assets at fair value through other comprehensive income	13	**1,974,946**	988,995
Financial assets at fair value through profit or loss	14	**168,016**	179,637
Deferred income tax assets	15	**3,231,065**	3,055,128
Other non-current assets	16	**3,722,189**	5,483,634
		134,194,728	117,528,198
Current assets			
Inventories	17	**313,787,270**	234,467,515
Trade and other receivables and prepayments	18	**21,387,554**	18,732,702
Prepayment for acquisition of land use rights	19	**13,483,055**	13,651,351
Prepaid income taxes		**4,452,805**	4,407,190
Amounts due from related parties	12	**33,978,392**	22,981,077
Derivative financial instruments	20	**2,337**	63,004
Restricted cash	21	**7,428,982**	7,265,779
Cash and cash equivalents	21	**61,038,027**	52,357,251
		455,558,422	353,925,869
Total assets		**589,753,150**	471,454,067
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	22	**362,850**	341,575
Reserves	23	**87,639,210**	65,913,306
		88,002,060	66,254,881
Non-controlling interests			
Perpetual capital instruments	24	**5,141,000**	4,665,000
Other non-controlling interests		**59,351,692**	45,784,305
		64,492,692	50,449,305
Total equity		**152,494,752**	116,704,186

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	**108,602,305**	89,773,388
Lease liabilities	7	**39,452**	93,009
Deferred income tax liabilities	15	**8,520,394**	7,533,056
		117,162,151	97,399,453
Current liabilities			
Trade and other payables	26	**102,506,442**	79,057,586
Contract liabilities		**106,126,631**	74,652,393
Income tax payable		**30,480,635**	25,216,120
Borrowings	25	**36,540,759**	36,781,947
Derivative financial instruments	20	**33,114**	–
Lease liabilities	7	**37,495**	139,939
Amounts due to related parties	27	**44,371,171**	41,502,443
		320,096,247	257,350,428
Total liabilities		**437,258,398**	354,749,881
Total equity and liabilities		**589,753,150**	471,454,067

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 180 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	**135,352,755**	111,516,981
Cost of sales	29	**(95,685,488)**	(77,386,427)
Gross profit		**39,667,267**	34,130,554
Fair value gains on investment properties – net	8	**397,539**	2,335,257
Other income/other gains – net	28	**1,029,335**	351,639
Selling and marketing costs	29	**(4,416,344)**	(2,824,871)
Administrative expenses	29	**(5,498,682)**	(4,381,122)
Provision for impairment losses on financial assets	29	**(482,918)**	(70,375)
Other operating expenses	29	**(503,530)**	(337,635)
Operating profit		**30,192,667**	29,203,447
Finance income		**5,629,202**	923,869
Finance costs		**(2,313,743)**	(1,208,789)
Finance income/(costs) – net	30	**3,315,459**	(284,920)
Fair value changes of convertible redeemable preferred shares	20	**(75,860)**	–
Share of results of associated companies and joint ventures accounted for using the equity method		**159,320**	96,825
Profit before income tax		**33,591,586**	29,015,352
Income tax expense	33	**(14,129,120)**	(12,635,387)
Profit for the year		**19,462,466**	16,379,965
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax		**(271,072)**	19,591
Share of other comprehensive income of joint ventures accounted for using the equity method		**49,035**	–
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(166,508)**	–
Total comprehensive income for the year		**19,073,921**	16,399,556

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**12,627,679**	10,897,600
Non-controlling interests		**6,834,787**	5,482,365
		19,462,466	16,379,965
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**12,216,352**	10,911,548
Non-controlling interests		**6,857,569**	5,488,008
		19,073,921	16,399,556
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	34	**361.5**	331.1
– Diluted (RMB cents)	34	**361.1**	330.6

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Attributable to the equity holders of the Company				
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2020		341,575	65,913,306	4,665,000	45,784,305	116,704,186
Comprehensive income						
Profit for the year		–	12,627,679	312,270	6,522,517	19,462,466
Other comprehensive income for the year						
Items that will not be reclassified to profit or loss						
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax		–	(276,168)	–	5,096	(271,072)
Share of other comprehensive income of joint ventures accounted for using the equity method		–	31,349	–	17,686	49,035
Items that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations		–	(166,508)	–	–	(166,508)
Total comprehensive income for the year		–	12,216,352	312,270	6,545,299	19,073,921
Transfer from joint ventures to subsidiaries	40(a)	–	–	–	560,631	560,631
Acquisition of subsidiaries	40(b)	–	–	–	539,970	539,970
Capital contribution from non-controlling interests of subsidiaries	40(d(i))	–	–	–	13,209,041	13,209,041
Other transactions with non-controlling interests of Shimao Services Holdings Limited ("Shimao Services")	23	–	8,680,355	–	1,735,924	10,416,279
Changes in ownership interests in subsidiaries without change of control	40(d(ii))	–	(575,364)	–	(5,804,687)	(6,380,051)
Disposal of subsidiaries	40(c)	–	–	–	(1,218,735)	(1,218,735)
Equity-settled share-based payment						
– Value of employee services	23	–	119,457	–	–	119,457
– Dividends received	23	–	4,935	–	–	4,935
Placing and subscription of shares	22, 23	21,275	6,238,448	–	–	6,259,723
Perpetual capital instruments issued	24	–	–	2,276,000	–	2,276,000
Perpetual capital instruments redeemed	24	–	–	(1,800,000)	–	(1,800,000)
Perpetual capital instruments dividends		–	–	(312,270)	–	(312,270)
Dividends and distributions	23, 35	–	(4,958,279)	–	(2,000,056)	(6,958,335)
Total transactions with owners		21,275	9,509,552	163,730	7,022,088	16,716,645
Balance at 31 December 2020		362,850	87,639,210	5,141,000	59,351,692	152,494,752

	Attributable to the equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019	341,575	58,892,631	5,100,000	40,945,971	105,280,177
Comprehensive income					
Profit for the year	–	10,897,600	284,982	5,197,383	16,379,965
Other comprehensive income for the year					
Items that will not be reclassified to profit or loss					
Fair value gains on financial assets at fair value through other comprehensive income, net of tax	–	13,948	–	5,643	19,591
Total comprehensive income for the year	–	10,911,548	284,982	5,203,026	16,399,556
Acquisition of subsidiaries	–	–	–	2,321,257	2,321,257
Capital contribution from non-controlling interests	–	–	–	4,840,075	4,840,075
Changes in ownership interests in subsidiaries without change of control	–	(205,735)	–	(5,563,569)	(5,769,304)
Equity-settled share-based payment					
– Value of employee services	–	125,171	–	–	125,171
– Dividends received	–	10,674	–	–	10,674
Perpetual capital instruments issued	–	–	4,265,000	–	4,265,000
Perpetual capital instruments redeemed	–	–	(4,700,000)	–	(4,700,000)
Perpetual capital instruments dividends	–	–	(284,982)	–	(284,982)
Dividends and distributions	–	(3,820,983)	–	(1,962,455)	(5,783,438)
Total transactions with owners	–	(3,890,873)	(719,982)	(364,692)	(4,975,547)
Balance at 31 December 2019	341,575	65,913,306	4,665,000	45,784,305	116,704,186

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flow from operating activities			
Net cash generated from operations	36	**23,006,977**	44,849,846
Interest received	30	**1,229,203**	923,869
Interest paid		**(8,986,376)**	(8,728,637)
PRC income tax paid		**(8,408,133)**	(7,565,184)
Net cash generated from operating activities		**6,841,671**	29,479,894
Cash flow from investing activities			
Additions of property and equipment and investment properties		**(6,387,990)**	(1,557,552)
Disposal of property and equipment		**37,924**	5,450
Additions of land use rights		**(310,601)**	(36,139)
Purchase of intangible assets		**(113,359)**	–
Disposal of intangible assets	9	**2,161**	–
Acquisition of derivative financial instruments		**(13,033)**	(16,333)
Settlement of derivative financial instruments		**38,662**	6,085
Decrease in prepayments for acquisition of equity interests	16	**2,934,516**	3,561,491
Increase in prepayments for acquisition of equity interests	16	**(332,757)**	(3,751,396)
Net cash inflow/(outflow) on acquisition of subsidiaries	40(a), 40(b)	**260,367**	(1,626,725)
Net cash (outflow)/inflow on disposal and deemed disposal of subsidiaries	40(c)	**(65,530)**	142,757
Capital injections to associated companies	11(a)	**(844,207)**	(2,043,873)
Capital injections to joint ventures	11(b)	**(7,789,494)**	(7,112,290)
Disposal of shares of joint ventures	11(b)	**762,272**	–
Disposal of shares of an associated company	11(a)	**225**	–
Closure of joint ventures	11(b)	**4,602**	–
Capital distribution from a joint venture	11(b)	**286,126**	–
Dividends received from associated companies and joint ventures	11(a), 11(b)	**997,725**	999,000
Advances to joint ventures and associated companies		**(11,460,311)**	(4,733,463)
Decrease of financial assets at fair value through other comprehensive income		**239,041**	198,000
Increase of financial assets at fair value through other comprehensive income		**(1,491,355)**	(181,441)
Net cash used in investing activities		**(23,245,016)**	(16,146,429)
Cash flow from financing activities			
Proceeds from borrowings		**67,013,797**	54,138,709
Repayments of borrowings		**(59,877,989)**	(46,556,688)
Capital contribution from non-controlling interests of subsidiaries		**13,209,041**	4,840,075
Acquisition of additional interests in subsidiaries		**(6,546,560)**	(5,769,304)
Proceeds from convertible redeemable preferred shares of subsidiary	20	**1,729,000**	–
Proceeds from ordinary shares pursuant to initial public offering and exercise of over-allotment option – net of subsidiary	23	**8,611,419**	–
Proceeds from issue of perpetual capital instruments	24	**2,276,000**	4,265,000
Redemption of perpetual capital instruments	24	**(1,800,000)**	(4,700,000)
Interest for the holders of perpetual capital instruments		**(312,270)**	(284,982)
Dividends paid to the equity holders of the Company		**(4,958,278)**	(3,820,983)
Dividends paid to non-controlling interests		**(2,000,056)**	(1,962,455)
Increase in amounts due to non-controlling interests	27	**1,526,105**	–
Decrease in amounts due to non-controlling interests		**–**	(3,699,330)
Dividends received		**4,935**	10,674
Lease payment	7	**(187,283)**	(158,023)
Increase in restricted cash pledged for borrowings		**351,761**	(982,744)
Issued new shares		**6,259,723**	–
Net cash generated from/(used in) financing activities		**25,299,345**	(4,680,051)
Net increase in cash and cash equivalents		**8,896,000**	8,653,414
Cash and cash equivalents at beginning of the year		**52,357,251**	43,688,296
Effect of foreign exchange rate changes		**(215,224)**	15,541
Cash and cash equivalents at end of the year	21	**61,038,027**	52,357,251

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 General information

Shimao Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment, property management and hotel operation in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL") and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) New and amended standards adopted by the Group

The following standards and amendments to standards have been adopted by the Group for the first time for their annual reporting period commencing 1 January 2020:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies *(CONTINUED)*

2.1 Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

2 Summary of significant accounting policies *(CONTINUED)*

2.2 Principles of consolidation and equity accounting (continued)

(iii) Joint arrangements

Under HKFRS 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies *(CONTINUED)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the management committee that makes strategic decisions.

2.5 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.

2 Summary of significant accounting policies *(CONTINUED)*

2.5 Foreign currency translation (continued)

(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 the 'finance income/(costs) – net', except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in OCI.

2.6 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs less their residual values and impairment loss over their estimated useful lives, as follows:

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Building improvements	10 to 20 years
Furniture and equipment	5 to 12 years
Jet plane and motor vehicles	10 to 20 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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/other gains – net" in the income statement.

2 Summary of significant accounting policies *(CONTINUED)*

2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as 'fair value gains/losses on investment properties-net.

If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If an investment property becomes owner-occupied or commences development with a view to sale, it is reclassified as property and equipment or as properties under development or completed properties held for sale, and the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

If an item of property and equipment becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property and equipment in equity under HKAS 16. If a property commences an operating lease to another party, it is transferred from properties under development or completed properties held for sale to investment property, and any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.8 Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associated companies/joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/joint ventures is included in investments in associated companies/joint ventures. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

(iii) Customer relationship

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 96 to 120 months for the customer relationship. The useful life of 96 to 120 months for customer relationship is determined with reference to the Directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

2 Summary of significant accounting policies *(CONTINUED)*

2.9 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or joint ventures 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.

2.10 Investments and 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 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 equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies *(CONTINUED)*

2.10 Investments and financial assets (continued)

(iii) Measurement (continued)

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 two measurement categories into which the Group classifies its debt instruments:

- Financial assets at FVOCI: 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 income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

- 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.

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 rights to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised 'Other income/other gains – net' in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

Impairment testing of trade and other receivables and amounts due from related parties is described in Note 3(b).

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable rights 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 Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 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 at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement within 'Other income/other gains – net'.

2 Summary of significant accounting policies *(CONTINUED)*

2.13 Art works

Art works is classified as non-current assets at cost less accumulated impairment loss, if any.

Art works is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.15 Completed properties held for sale

Completed properties held for sale 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.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10(ii) for further information about the Group's accounting for trade receivables and Note 2.10(iv) for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 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 share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

2.19 Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

2 Summary of significant accounting policies *(CONTINUED)*

2.20 Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 balance sheet date.

2.22 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency and 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 are 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.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated companies and joint ventures 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.

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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies *(CONTINUED)*

2.23 Current and deferred income tax (continued)

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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

2.24 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee service is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

- 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 (for example, the requirement for employees to save).

2 Summary of significant accounting policies *(CONTINUED)*

2.24 Employee benefits (continued)

(iii) Equity-settled share-based payment transactions (continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options 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 the income statement, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.25 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.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. Revenue is recognised as follows:

(i) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

2 Summary of significant accounting policies *(CONTINUED)*

2.26 Revenue recognition (continued)

(i) Sales of properties (continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered.

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 standard-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.

(iii) Hotel operation income

Hotel operation income which includes rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Rental income

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

(v) Interest income

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

(vi) Commission income

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

(vii) Dividend income

Dividend income is recognised when the rights to receive payment is established.

2.27 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment and land use rights are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

2 Summary of significant accounting policies *(CONTINUED)*

2.28 Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 to 60 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group 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 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 Dividend distribution

Dividend distribution to the 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 and directors.

2.30 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 the income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

2 Summary of significant accounting policies *(CONTINUED)*

2.31 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.32 Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by a subsidiary of the Group are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the subsidiary, or when agreed by majority of the holders.

Convertible redeemable preferred shares are initially recognised at fair value and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in profit or loss within "fair value changes of convertible redeemable preferred shares".

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow interest rate risk 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.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, public share and notes offerings and certain bank borrowings are in other foreign currencies. The major non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong dollar ("HK dollar", or "HK$"), United States dollar ("US dollar", or "US$") and Japanese yen ("JPY yen", or "JPY¥").

The Company and most of its subsidiaries' functional currency is RMB, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. For the year ended 31 December 2020, the Group manages its foreign exchange risk by using foreign currency option contracts and interest rate swaps contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2020, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalization of exchange gains and losses, post-tax profit for the year would have been RMB1,734,638,000 (2019: RMB1,703,500,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

As at 31 December 2020, borrowings with a total carrying amount of RMB50,052,429,000 (2019: RMB47,389,666,000) are denominated in US dollar, borrowings with a total carrying amount of RMB27,703,827,000 (2019: RMB25,220,523,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB891,628,000 (2019: RMB1,249,875,000) are denominated in JPY yen.

3 Financial risk management *(CONTINUED)*

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk from the Group's financial assets at FVOCI which are publicly traded. The performance of the listed equity securities of the Group is closely monitored.

(iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 25. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2020, the Group converted no borrowings from fixed rate to floating rate through interest rate swaps (2019: nil).

The Group analyses its interest rate exposure taking into consideration of refinancing, and renewal of existing position. Based on the above consideration, the Group calculates the impact on profit and loss of a defined interest rate change.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB80,816,000 (2019: RMB40,047,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2020. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB339,510,000 (2019: RMB311,785,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2020.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables and amounts due from related parties, and cash and cash equivalents. The carrying amounts of trade receivables, other receivables and amounts due from related parties, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2020.

		As at 31 December	
Counterparty	Rating (Note)	**2020 RMB'000**	2019 RMB'000
Bank A	A	**9,534,157**	7,210,630
Bank B	BBB+	**8,310,093**	5,726,794
Bank C	A	**5,375,992**	3,049,466
Bank D	A	**4,116,263**	5,638,361
Bank E	BBB+	**3,271,513**	5,855,641

Note: The source of credit rating is from Standard and Poor's or Moody's.

3 Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

(ii) Trade receivables

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2020 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

(iii) Other receivables and amounts due from related parties

The Group uses three categories for other receivables and amounts due from related parties which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The Group has identified the GDP, CPI and industry key drivers to be the most relevant factors.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

3 Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables and other receivables and amounts due from related parties:

31 December 2020	**Current and within 6 months RMB'000**	**7 months to 12 months RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Trade receivables				
Gross carrying amount	**5,902,275**	**299,532**	**447,258**	**6,649,065**
Expected loss rate	**0.50%**	**5.00%**	**10.00%**	
Loss allowance	**29,511**	**14,977**	**44,726**	**89,214**

31 December 2020	**Expected Loss Rate**	**Gross Carrying Amount**	**Loss allowance provision**
Other receivables and amounts due from related parties			
Loan receivables	**1.00% – 10.00%**	**1,528,513**	**92,604**
Other receivables	**0.50% – 20.00%**	**13,976,666**	**584,872**
Amount due from related parties	**0.10% – 2.00%**	**36,042,482**	**85,316**
		51,547,661	**762,792**

31 December 2019	Current and within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade receivables				
Gross carrying amount	4,121,346	329,787	740,427	5,191,560
Expected loss rate	0.50%	4.37%	10.70%	
Loss allowance	20,558	14,403	79,200	114,161

31 December 2019	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Other receivables and amounts due from related parties			
Loan receivables	1.00% – 10.00%	1,429,235	23,786
Other receivables	0.50% – 20.00%	12,422,657	172,803
Amount due from related parties	0.10% – 2.00%	24,480,255	58,338
		38,332,147	254,927

3 Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

The closing loss allowances for trade receivables and other receivables and amounts due from related parties as at 31 December 2020 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	Other receivables and amounts due from related parties RMB'000	Total RMB'000
As at 31 December 2019	114,161	254,927	369,088
(Decrease)/Increase in loss allowance recognised in profit or loss during the year	(24,947)	507,865	482,918
As at 31 December 2020	**89,214**	**762,792**	**852,006**

Trade receivables and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and other receivables and amounts due from related parties are recognised in profit or loss within "provision for impairment losses on financial assets". Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group has policies in place to ensure that sales of properties are made to buyers with an appropriate financial strength and appropriate percentage of down payment. Meanwhile, the Group has the rights to cancel the sales contract in the event that the buyers default in payment, and put the underlying properties back to the market for re-sales. Therefore, the credit risk from sales of properties is limited. Other receivables mainly comprise bidding deposits for land use rights and prepaid tax with limited credit risk.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

Cash flow forecast is performed by management of the Group. Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecast mainly takes into consideration the Group's operational cash flows, construction of investment properties and hotel projects, committed payments for land use rights and contracted development expenditures, the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management *(CONTINUED)*

(c) Liquidity risk (continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2020					
Borrowings and interest payments	**40,981,489**	**57,047,672**	**47,397,960**	**15,419,731**	**160,846,852**
Trade and other payables (excluding other taxes payables)	**92,158,808**	**44,499**	**58,474**	**37,833**	**92,299,614**
Amounts due to related parties	**44,371,171**	**–**	**–**	**–**	**44,371,171**
Derivative financial instruments	**33,114**	**–**	**–**	**–**	**33,114**
Lease liabilities	**37,495**	**13,884**	**24,768**	**800**	**76,947**
	177,582,077	**57,106,055**	**47,481,202**	**15,458,363**	**297,627,697**
31 December 2019					
Borrowings and interest payments	39,307,510	29,779,713	40,395,670	20,311,900	129,794,793
Trade and other payables (excluding other taxes payables)	75,631,392	22,824	34,684	38,770	75,727,670
Amounts due to related parties	41,502,443	–	–	–	41,502,443
Lease liabilities	139,939	39,655	35,597	17,757	232,948
	156,581,284	29,842,192	40,465,951	20,368,427	247,257,854

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2020 and 2019 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2020 and 2019 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2020.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets/subsidiaries to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less restricted cash and cash and cash equivalents. Total capital is the total equity as shown in the consolidated balance sheet.

3 Financial risk management *(CONTINUED)*

(d) Capital risk management (continued)

The net gearing ratios at 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total borrowings (Note 25)	**145,143,064**	126,555,335
Less: Cash and cash equivalents (Note 21)	**(61,038,027)**	(52,357,251)
Restricted cash (Note 21)	**(7,428,982)**	(7,265,779)
Net debt	**76,676,055**	66,932,305
Total equity	**152,494,752**	116,704,186
Net gearing ratio	**50.3%**	57.4%

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019. See Note 8 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2020	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Derivative financial instruments	**–**	**2,337**	**–**	**2,337**
Financial assets at FVOCI				
– listed equity securities	**1,382,554**	**–**	**–**	**1,382,554**
– investment in unlisted entities	**–**	**–**	**592,392**	**592,392**
Financial assets at FVPL	**–**	**–**	**168,016**	**168,016**
Liabilities				
Derivative financial instruments	**–**	**33,114**	**–**	**33,114**

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	63,004	–	63,004
Financial assets at FVOCI				
– listed equity securities	608,202	–	–	608,202
– investment in structured products issued by other financial institution and unlisted entity	–	–	380,793	380,793
Financial assets at FVPL	–	–	179,637	179,637

3 Financial risk management *(CONTINUED)*

(e) Fair value estimation (continued)

Derivative financial instruments included in Level 2 as at 31 December 2020 are one interest rate swaps contract and two currency options contract with the Morgan Stanley & Co International PLC ("Morgan Stanley") and nine interest rate swaps contracts with The Hongkong and Shanghai Banking Corporation Limited, the fair value of which is determined using forward exchange rates and interest rates that are quoted by financial institutions.

Derivative financial instruments included in Level 2 as at 31 December 2019 are two currency options contracts with the Morgan Stanley and one currency option contract with The Hongkong and Shanghai Banking Corporation Limited, the fair value of which is determined using forward exchange rates and interest rates that are quoted by financial institutions.

FVOCI included in Level 1 as at 31 December 2020 and 2019 are the equity securities traded in Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Exchanges and Clearing Limited and NASDAQ, the fair value of which is based on quoted market prices at the balance sheet date.

Financial assets at FVOCI as at 31 December 2020 and 2019 included in Level 3 are the investment in unlisted entities and structured products entered into with financial institutions, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVPL as at 31 December 2020 and 2019 included in Level 3 is the investment in unlisted entity recognised as a debt investment with cash flows not solely payments of principal and interest, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVOCI at fair value

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	**988,995**	981,680
Additions	**1,491,355**	181,441
Disposals	**(239,041)**	(198,000)
Fair value (losses)/gains recognised in OCI	**(266,363)**	23,874
Closing balances of assets	**1,974,946**	988,995
Changes in unrealised (losses)/gains, under 'Other comprehensive income' (Note 13(b))	**(266,363)**	23,874

Financial assets at FVPL at fair value

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	**179,637**	176,727
Fair value (losses)/gains recognised in profit or loss	**(11,621)**	2,910
Closing balances of assets	**168,016**	179,637
Changes in unrealised (losses)/gains, under 'Other income/other gains – net' (Note 14(b))	**(11,621)**	2,910

3 Financial risk management *(CONTINUED)*

(e) Fair value estimation (continued)

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balances of assets	**63,004**	12,468
Acquisition of currency options and interest rate swaps	**13,033**	16,333
(Losses)/gains recognised in the income statement	**(68,152)**	40,288
Settlements	**(38,662)**	(6,085)
Closing balances of (liabilities)/assets	**(30,777)**	63,004
Changes in unrealised (losses)/gains, under 'Other income/other gains – net' (Note 28)	**(68,152)**	40,288

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred income tax assets

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax 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 differences will impact the income tax and deferred tax provisions 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 it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the land appreciation tax based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and deferred income tax provisions in the periods in which such tax is finalised with local tax authorities.

(c) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8(i). The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. These valuations and calculations require the use of estimates.

4 Critical accounting estimates and judgements *(CONTINUED)*

4.1 Critical accounting estimates and assumptions (continued)

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 8.

(e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Impairment of trade and other receivables and amount due from related parties

The Group's management determines the provision for impairment of trade and other receivables and amount due from related parties based on the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables and amount due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

(g) Judgements and estimates in revenue recognition for property development activities

The Group develops and sells residential and commercial properties in different areas. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected. The Group seldom provides long credit or payment terms to its property buyer.

4 Critical accounting estimates and judgements *(CONTINUED)*

4.2 Critical judgements in applying the Group's accounting policy

(a) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement.

Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

5 Segment information

The CODM has been identified as the management committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit before tax. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

(a) Revenue

Turnover of the Group consists of the following revenue recognised during the year:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Sales of properties	**126,132,570**	105,291,317
Hotel operation income	**1,447,039**	2,097,030
Commercial properties operation income	**1,538,465**	1,427,986
Property management income, and others	**6,234,681**	2,700,648
	135,352,755	111,516,981

5 Segment information *(CONTINUED)*

(b) Segment information

Year ended 31 December 2020

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Shimao Services**(i) RMB'000	Unallocated*** RMB'000	Total RMB'000
Revenue					
– Sales of properties	20,243,795	105,888,775	–	–	126,132,570
– Recognised at a point in time	20,116,160	104,794,398	–	–	124,910,558
– Recognised over time	127,635	1,094,377	–	–	1,222,012
– Hotel operation income	193,203	1,253,836	–	–	1,447,039
– Commercial properties operation income	1,041,624	496,841	–	–	1,538,465
– Property management income, and others	226,720	1,777,308	5,025,688	–	7,029,716
Total revenue before elimination	21,705,342	109,416,760	5,025,688	–	136,147,790
Elimination					(795,035)
Total revenue					135,352,755
Operating profit/(loss)	5,910,993	24,018,043	897,052	(633,421)	30,192,667
Finance income	133,429	5,448,541	11,407	35,825	5,629,202
Finance costs	(299,059)	(1,137,447)	(14,587)	(862,650)	(2,313,743)
Fair value changes of convertible redeemable preferred shares	–	(75,860)	–	–	(75,860)
Share of results of associated companies and joint ventures accounted for using the equity method	(16,265)	164,670	10,915	–	159,320
Profit/(loss) before income tax	5,729,098	28,417,947	904,787	(1,460,246)	33,591,586
Income tax expense					(14,129,120)
Profit for the year					19,462,466
Other segment items are as follows:					
Capital and property development expenditure	27,807,714	114,210,142	137,820	–	142,155,676
Fair value gains on investment properties	256,489	141,050	–	–	397,539
Fair value losses on derivative financial instruments	–	–	–	(68,152)	(68,152)
Depreciation	88,808	537,962	65,648	60,649	753,067
Amortisation of right-of-use assets	125,519	96,545	9,541	–	231,605
(Reversal of)/provision for impairment on financial assets	(30,284)	442,675	70,527	–	482,918

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 31 December 2020

** The Group owns an effective equity interest of 65.88% in Shimao Services as at 31 December 2020

*** Unallocated mainly represent corporate level activities

Note (i): Pursuant to the spin off and separate listing of Shimao Services on the HK main board, the CODM considered Shimao Services as a separate segment to better assess performance of the Group. The comparatives have been reclassified to conform with current year presentation.

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2020 are as follows:

	Property development and investment			
	Shanghai Shimao RMB'000	Others RMB'000	Shimao Services RMB'000	Total RMB'000
Investments accounted for using the equity method	1,651,650	29,251,032	34,074	30,936,756
Intangible assets	1,709,730	243,785	1,873,297	3,826,812
Other segment assets	144,354,358	394,589,664	8,930,119	547,874,141
Total segment assets	147,715,738	424,084,481	10,837,490	582,637,709
Deferred income tax assets				3,231,065
Financial assets at FVOCI				1,974,946
Financial assets at FVPL				168,016
Derivative financial instruments				2,337
Other assets				1,739,077
Total assets				589,753,150
Borrowings	23,512,691	59,193,544	30,000	82,736,235
Other segment liabilities	70,638,183	208,020,833	4,012,016	282,671,032
Total segment liabilities	94,150,874	267,214,377	4,042,016	365,407,267
Corporate borrowings				62,406,829
Deferred income tax liabilities				8,520,394
Derivative financial instruments				33,114
Other liabilities				890,794
Total liabilities				437,258,398

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

Year ended 31 December 2019

	Property development and investment				
	Shanghai Shimao* RMB'000	Others RMB'000	Shimao Services** RMB'000	Unallocated*** RMB'000	Total RMB'000
Revenue					
– Sales of properties	19,629,801	85,661,516	–	–	105,291,317
– Recognised at a point in time	19,287,510	84,773,157	–	–	104,060,667
– Recognised over time	342,291	888,359	–	–	1,230,650
– Hotel operation income	263,056	1,833,974	–	–	2,097,030
– Commercial properties operation income	983,781	444,205	–	–	1,427,986
– Property management income, and others	204,035	647,636	2,489,086	–	3,340,757
Total revenue before elimination	21,080,673	88,587,331	2,489,086	–	112,157,090
Elimination					(640,109)
Total revenue					111,516,981
Operating profit/(loss)	7,336,493	21,924,712	521,157	(578,915)	29,203,447
Finance income	202,951	637,840	37,935	45,143	923,869
Finance costs	(434,542)	(51,023)	(51,833)	(671,391)	(1,208,789)
Share of results of associated companies and joint ventures accounted for using the equity method	148,541	(50,508)	(1,208)	–	96,825
Profit/(loss) before income tax	7,253,443	22,461,021	506,051	(1,205,163)	29,015,352
Income tax expense					(12,635,387)
Profit for the year					16,379,965
Other segment items are as follows:					
Capital and property development expenditure	26,551,212	114,663,015	130,650	–	141,344,877
Fair value gains on investment properties	1,715,119	620,138	–	–	2,335,257
Fair value gains on derivative financial instruments	–	–	–	40,288	40,288
Depreciation	84,186	582,083	10,602	56,080	732,951
Amortisation of right-of-use assets	118,587	99,743	3,408	–	221,738
Provision for impairment on financial assets	63,534	3,469	3,372	–	70,375

* The Group owns an effective equity interest of 59.74% in Shanghai Shimao as at 31 December 2019

** The Group owns an effective equity interest of 100.00% in Shimao Services as at 31 December 2019

*** Unallocated mainly represent corporate level activities

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2019 are as follows:

	Property development and investment			
	Shanghai Shimao RMB'000	Others RMB'000	Shimao Services RMB'000	Total RMB'000
Investments accounted for using the equity method	1,109,016	23,054,467	3,692	24,167,175
Intangible assets	1,709,730	16,322	283,294	2,009,346
Other segment assets	122,906,077	312,323,622	3,263,326	438,493,025
Total segment assets	125,724,823	335,394,411	3,550,312	464,669,546
Deferred income tax assets				3,055,128
Financial assets at FVOCI				988,995
Financial assets at FVPL				179,637
Derivative financial instruments				63,004
Other assets				2,497,757
Total assets				471,454,067
Borrowings	21,949,203	43,326,166	239,789	65,515,158
Other segment liabilities	52,438,277	163,758,368	3,086,993	219,283,638
Total segment liabilities	74,387,480	207,084,534	3,326,782	284,798,796
Corporate borrowings				61,428,177
Deferred income tax liabilities				7,533,056
Other liabilities				989,852
Total liabilities				354,749,881

Total segment assets consist primarily of property and equipment, investment properties, right-of-use assets, other non-current assets, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets, financial assets at FVOCI, financial assets at FVPL and derivative financial instruments.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, corporate borrowings and deferred income tax liabilities and derivative financial instruments.

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Related to development and sales of properties contracts		
Contract liabilities (Note (i))	**106,126,631**	74,652,393

Note:

(i) Contract liabilities have been disclosed with value-added-tax of RMB5.3 billion deducted in 2020.

Revenue from sales of properties totalled approximately RMB47 billion was recognised in current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB63 billion as of 31 December 2020 will be recognised as revenue from sales of properties during the next reporting year.

6 Property and equipment

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2020	3,491,204	14,361,933	894,666	604,299	1,125,905	20,478,007
Reclassified to intangible assets	–	–	(404,520)	–	–	(404,520)
Additions	1,069,581	50,719	100,139	675,304	6,903	1,902,646
Acquisition of subsidiaries	54,008	–	34,848	15,044	80,568	184,468
Transfer from investment properties	339,000	–	–	–	–	339,000
Disposal of subsidiaries	–	(804,204)	(8,065)	–	–	(812,269)
Disposals	–	(62,110)	(24,484)	(11,239)	–	(97,833)
Transfer upon completion	(3,621,337)	3,618,753	1,952	–	632	–
At 31 December 2020	1,332,456	17,165,091	594,536	1,283,408	1,214,008	21,589,499
Accumulated depreciation						
At 1 January 2020	–	3,551,003	469,147	265,870	269,045	4,555,065
Reclassified to intangible assets	–	–	(211,887)	–	–	(211,887)
Charge for the year	–	466,550	87,618	59,607	51,256	665,031
Disposal of subsidiaries	–	(216,834)	(6,279)	–	–	(223,113)
Disposals	–	(37,458)	(16,872)	(5,579)	–	(59,909)
At 31 December 2020	–	3,763,261	321,727	319,898	320,301	4,725,187
Net book value						
At 31 December 2020	1,332,456	13,401,830	272,809	963,510	893,707	16,864,312

6 Property and equipment *(CONTINUED)*

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2019	2,342,936	13,895,382	630,762	556,881	1,009,252	18,435,213
Additions	1,776,214	56,595	170,124	5,676	–	2,008,609
Acquisition of subsidiaries	–	133,928	109,721	1,499	41,023	286,171
Disposal of subsidiaries	–	–	(283)	–	–	(283)
Disposals	–	(49,118)	(15,658)	(3,073)	–	(67,849)
Transfer to investment properties	–	–	–	–	(9,005)	(9,005)
Transfer to properties under development	(174,849)	–	–	–	–	(174,849)
Transfer upon completion	(453,097)	325,146	–	43,316	84,635	–
At 31 December 2019	3,491,204	14,361,933	894,666	604,299	1,125,905	20,478,007
Accumulated depreciation						
At 1 January 2019	–	3,103,795	352,047	175,477	226,257	3,857,576
Acquisition of subsidiaries	–	20,280	2,610	955	5,160	29,005
Charge for the year	–	471,733	129,476	92,077	39,665	732,951
Disposal of subsidiaries	–	–	(31)	–	–	(31)
Transfer to investment properties	–	–	–	–	(2,037)	(2,037)
Disposals	–	(44,805)	(14,955)	(2,639)	–	(62,399)
At 31 December 2019	–	3,551,003	469,147	265,870	269,045	4,555,065
Net book value						
At 31 December 2019	3,491,204	10,810,930	425,519	338,429	856,860	15,922,942

Depreciation charge of RMB665,031,000 for the year ended 31 December 2020 (2019: RMB732,951,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2020, assets under construction and buildings of the Group with a total carrying amount of RMB2,435,534,000 (2019: RMB2,011,001,000) were pledged as collateral for certain borrowings of the Group (Note 25).

For the year ended 31 December 2020, the Group has capitalised borrowing costs amounting to RMB75,048,000 (2019: RMB78,202,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 4.70% (2019: 5.58%).

7 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Land use rights and leasehold land	**8,227,912**	7,989,282
Buildings	**73,607**	195,716
Equipment	–	123
Vehicles	**14,749**	32,633
	8,316,268	8,217,754
Lease liabilities		
Current	**37,495**	139,939
Non-current	**39,452**	93,009
	76,947	232,948

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year end 31 December	
	2020 RMB'000	2019 RMB'000
Amortisation charge of right-of-use assets		
Land use rights and leasehold land	**(71,971)**	(76,645)
Buildings	**(145,518)**	(130,377)
Equipment	–	(123)
Vehicles	**(14,116)**	(14,593)
	(231,605)	(221,738)
Interest expense (included in finance cost) (Note 30)	**(11,763)**	(17,406)

The total cash outflow for leases in 2020 was RMB187,283,000 (2019: RMB158,023,000). As at 31 December 2020, land use rights of RMB457,433,000 (2019: RMB1,351,922,000) were pledged as collateral for the Group's borrowings (Note 25).

8 Investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance at 1 January	**56,062,747**	36,891,022
Additions – Transfer from properties under development	**2,568,960**	16,567,166
Additions – Construction cost and others	**4,485,344**	262,334
Additions – Transfer from property and equipment	**–**	6,968
Transfer to property and equipment	**(339,000)**	–
Fair value gains – net	**397,539**	2,335,257
Closing balance at 31 December	**63,175,590**	56,062,747

As at 31 December 2020, investment properties under construction of approximately RMB1,301,819,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2019: approximately RMB1,301,255,000). These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Commercial properties operation income	**1,538,482**	1,427,986
Direct operating expenses from properties that generated rental income	**23,091**	21,339
Direct operating expenses from properties that did not generate rental income	**1,816**	4,096

8 Investment properties *(CONTINUED)*

(b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2020 and 2019.

Description	**Fair value measurements at 31 December 2020 using**		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	**61,873,771**

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	54,761,492

There were no transfers between Levels 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2020 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	**Investment properties under development RMB'000**	**Total RMB'000**
Opening balance	**35,104,492**	**19,657,000**	**54,761,492**
Additions	**–**	**4,484,780**	**4,484,780**
Additions-transfer from properties under development	**459,167**	**2,109,793**	**2,568,960**
Transfer to property and equipment	**–**	**(339,000)**	**(339,000)**
Net gains from fair value adjustment	**172,503**	**225,036**	**397,539**
Closing balance	**35,736,162**	**26,137,609**	**61,873,771**

8 Investment properties *(CONTINUED)*

(b) Valuation (continued)

Fair value measurements using significant unobservable inputs (Level 3) (continued)

	Year ended 31 December 2019 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	30,063,950	5,529,000	35,592,950
Additions	–	259,151	259,151
Additions-transfer from properties under development	–	16,567,166	16,567,166
Transfer from under development investment properties	3,584,394	(3,584,394)	–
Additions-transfer from property and equipment	6,968	–	6,968
Net gains from fair value adjustment	1,449,180	886,077	2,335,257
Closing balance	35,104,492	19,657,000	54,761,492

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 and 2019 by independent and professionally qualified valuers, Vigers Appraisal & Consulting Limited ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors (ED) and the audit committee (AC).

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

For completed investment properties, the fair values were determined using term and reversionary method on the basis of capitalisation of net rental income derived from the existing tenancies and the reversionary value by reference to recent comparable sales transactions or capitalisation of comparable market rents in the relevant property market. The significant unobservable inputs adopted in the valuation included market prices, market rents, term and reversionary yields.

For investment properties under development, the valuation was determined using residual method by making reference to market capitalisation rates and recent comparable sales transactions on the assumption that the property had already been completed in accordance with latest development scheme at the valuation date by deducting the estimated costs to be incurred to complete the project and the developer's estimated profit margin.

There were no changes to the valuation techniques during the year.

8 Investment properties *(CONTINUED)*

(b) Valuation (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	**35,736,162**	Term and reversionary method	Market prices	RMB5,200-RMB124,891 per square meter (RMB30,828 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB12-RMB421 per square meter (RMB111 per square meter)	The higher the market rents, the higher the fair value
			Term yields	3.75%-8.00% (5.56%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-8.00% (5.62%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	**26,137,609**	Discounted cash flows with estimated costs to complete	Market prices	RMB10,300-RMB33,950 per square meter (RMB19,191 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB496-RMB8,444 per square meter (RMB4,395 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75%	The higher the capitalisation rate, the lower the fair value

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	35,104,492	Term and reversionary method	Market prices	RMB4,591-RMB113,630 per square meter (RMB30,902 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB7-RMB368 per square meter (RMB118 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.50% (5.80%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-8.00% (5.84%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	19,657,000	Discounted cash flows with estimated costs to complete	Market prices	RMB10,820-RMB39,000 per square meter (RMB22,503 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB545-RMB12,493 per square meter (RMB5,779 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75%	The higher the capitalisation rate, the lower the fair value

There are inter-relationships between unobservable inputs. For investment property under development, increases in construction costs that enhance the property's features may result in an increase of future market prices. An increase in future market prices may be linked with higher costs. There is no indication that any slight increases/(decreases) in market prices in isolation would result in a significantly higher/(lower) fair value of the investment properties.

8 Investment properties *(CONTINUED)*

(c) Pledge

As at 31 December 2020, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB22,164,124,000 (2019: RMB30,571,000,000) were pledged as collateral for the Group's borrowings (Note 25).

(d) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease rental receivable under non cancellable operating leases of investment properties are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year	**1,335,608**	1,263,916
Between one to two years	**1,076,158**	917,611
Between two to three years	**800,952**	703,110
Between three to four years	**551,884**	543,687
Between four to five years	**455,202**	434,035
Later than five years	**882,761**	1,117,829
	5,102,565	4,980,188

9 Intangible assets

	Computer Software RMB'000	Goodwill (Note (i)) RMB'000	Customer relationship RMB'000	Total RMB'000
As at 1 January 2019				
Cost	–	2,769,646	–	2,769,646
Accumulated amortisation and impairment	–	(928,988)	–	(928,988)
Net book amount	–	1,840,658	–	1,840,658
Year ended 31 December 2019				
Opening net book amount	–	1,840,658	–	1,840,658
Additions from acquisition of subsidiaries	–	168,688	–	168,688
Closing net book amount	–	2,009,346	–	2,009,346
As at 31 December 2019				
Cost	–	2,938,334	–	2,938,334
Accumulated amortisation and impairment	–	(928,988)	–	(928,988)
Net book amount	–	2,009,346	–	2,009,346
Year ended 31 December 2020				
Opening net book amount	–	2,009,346	–	2,009,346
Reclassified from property and equipment	102,821	–	89,812	192,633
Additions	113,359	–	–	113,359
Additions from acquisition of subsidiaries	19,471	1,045,091	539,000	1,603,562
Disposals	(2,161)	–	–	(2,161)
Disposal of subsidiaries with loss of control	(1,891)	–	–	(1,891)
Amortisation charge	(52,840)	–	(35,196)	(88,036)
Closing net book amount	178,759	3,054,437	593,616	3,826,812
As at 31 December 2020				
Cost	432,666	3,983,425	634,800	5,050,891
Accumulated amortisation and impairment	(253,907)	(928,988)	(41,184)	(1,224,079)
Net book amount	178,759	3,054,437	593,616	3,826,812

Amortisation charge of RMB88,036,000 for the year ended 31 December 2020 (2019: nil) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

9 Intangible assets *(CONTINUED)*

Goodwill comprise goodwill arising from acquisitions

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Property development and investment		
– Shanghai Shimao (Note (i))	**1,709,730**	1,709,730
Shimao Services (Note (ii))	**1,213,779**	168,688
Hotel operation	**130,928**	130,928
	3,054,437	2,009,346

The recoverable amounts of CGUs are determined based on the higher of fair values (less cost to sale) and value-in-use calculation.

As at 31 December 2020 and 2019, the fair values of hotel operation are valued by independent professionally qualified valuers who held a recognised relevant professional qualification and have recent experience in the locations and segments of the property service and hotels valued.

Notes:

(i) In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2020 and 2019, goodwill of CGU – property development and investment – Shanghai Shimao was tested for impairment using the higher of value-in-use by discounted cash flow projection and the fair value (equivalent to the market value) less costs to sell. The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated long term growth rate of revenue.

(ii) Goodwill has been allocated to the CGUs of the subsidiaries of Shimao Services for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2020 based on approved budgets covering a five-year period. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation.

For Shanghai Shimao and Shimao Services, the key assumptions used in the value-in-use calculation in 2020 and 2019 are as follows:

	Shanghai Shimao	**Shimao Services**
As at 31 December 2020		
Revenue growth rate during the forecast period	**4%-10%**	**2%-17%**
Gross profit margin during the forecast period (Note)	**27%-35%**	**13%-32%**
Pre-tax discount rate	**17%**	**15%-22%**
As at 31 December 2019		
Revenue growth rate during the forecast period	4%-10%	3%-11%
Gross profit margin during the forecast period (Note)	35%-38%	24%-30%
Pre-tax discount rate	17%	20%-29%

Note:

For Shanghai Shimao, the calculation of gross profit margin excludes land appreciation tax.

These assumptions have been used for the analysis of Shanghai Shimao and Shimao Services CGU within the operating segment.

The long term growth rate of revenue used is 3%, which is consistent with the industry outlook. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

10 Financial instruments by category

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables and prepayments	**21,387,554**	18,732,702
– Amounts due from related parties	**35,957,166**	24,421,917
– Restricted cash	**7,428,982**	7,265,779
– Cash and cash equivalents	**61,038,027**	52,357,251
Financial assets at FVOCI	**1,974,946**	988,995
Financial assets at FVPL	**168,016**	179,637
Derivative financial instruments	**2,337**	63,004
Total	**127,957,028**	104,009,285

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Financial liabilities		
Other financial liabilities at amortised cost:		
– Borrowings	**145,143,064**	126,555,335
– Trade and other payables (excluding other taxes payable)	**92,299,614**	75,727,670
– Amounts due to related parties	**44,371,171**	41,502,443
Derivative financial instruments	**33,114**	–
Lease liabilities	**76,947**	232,948
Total	**281,923,910**	244,018,396

The Group's exposure to various risks, associated with the financial instruments is discussed in Note 3.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount each class of financial assets mentioned above.

11 Investments accounted for using the equity method

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	**4,428,791**	3,848,564
Joint ventures (Note (b))	**26,507,965**	20,318,611
	30,936,756	24,167,175

(a) Interests in associated companies

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Share of net assets:		
Opening balance	**3,848,564**	1,594,487
Capital injections (Note (i))	**844,207**	2,043,873
Dividends received	**(350,870)**	(65,000)
Disposal (Note (ii))	**(263)**	–
Share of results	**87,153**	275,204
Ending balance	**4,428,791**	3,848,564

Notes:

(i) Capital injections include investment in new associates and additional injections in existing associates.

For the year ended 31 December 2020, the Group invested in new associates with a total amount of RMB422,677,000.

For the year ended 31 December 2020, the Group made additional capital injections into existing associates with a total amount of RMB421,530,000.

(ii) For the year ended 31 December 2020, the Group disposed all its interests in an associated company. The disposal has resulted in a net loss of RMB38,000 and net cash inflow of RMB225,000.

Details of the principal associated companies of the Group as at 31 December 2020 are set out in Note 37.

There was no individually material associated company of the Group as at 31 December 2020 and 2019.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB2,411,394,000 as at 31 December 2020 (2019: RMB1,933,000,000) (Note 38).

11 Investments accounted for using the equity method *(CONTINUED)*

(b) Interests in joint ventures

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Share of net assets:		
Opening balance	**20,318,611**	15,371,673
Capital injections (Note (i))	**7,789,494**	7,112,290
Transfer from subsidiaries (Note 40(c))	**1,554,900**	165,000
Capital distribution (Note (ii))	**(286,126)**	–
Transfer to subsidiaries	**(1,555,220)**	(1,217,973)
Dividends received	**(646,855)**	(934,000)
Disposal (Note (iii))	**(782,984)**	–
Share of results	**72,167**	(178,379)
Share of OCI	**49,035**	–
Closure (Note (iv))	**(5,057)**	–
Ending balance	**26,507,965**	20,318,611

Notes:

(i) Capital injections include investment in new joint ventures and additional injections in existing joint ventures.

For the year ended 31 December 2020, the Group set up joint ventures with total capital injections of RMB826,100,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group invested in new joint ventures with amount of RMB4,439,840,000. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

The Group made additional capital injections into existing joint ventures with amount of RMB2,523,554,000. After capital injection, the Group remained joint control in these entities.

(ii) For the year ended 31 December 2020, a joint venture, Tianjin Zhongmin Aipu Urban Construction Development Co. Ltd, made a capital distribution to its investors. Pursuant to the revised articles of association, the Group and the third party still jointly control the operation of the entity. The Group's amount of capital distribution is RMB286,126,000.

(iii) For the year ended 31 December 2020, the Group disposed its interests in several joint ventures at total consideration of RMB762,272,000. The disposal has resulted in a net loss of RMB20,712,000 and a net cash inflow of RMB762,272,000.

(iv) For the year ended 31 December 2020, the closure of joint ventures of the Group has resulted in a net loss of RMB455,000 and net cash inflow of RMB4,602,000.

Details of the principal joint ventures of the Group as at 31 December 2020 are set out in Note 37.

There was no individually material joint ventures of the Group as at 31 December 2020 and 2019.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB9,074,997,000 as at 31 December 2020 (2019: RMB7,570,366,000) (Note 38).

12 Amounts due from related parties

Advances to related parties included in non-current assets is to finance their acquisition of land use rights. The Group's intention is that the advances will only be recalled when the related companies have surplus cash.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Included in non-current assets		
– Joint ventures	**1,408,280**	823,088
– Associated companies	**600,628**	637,471
	2,008,908	1,460,559
Provision for impairment	**(30,134)**	(19,719)
	1,978,774	1,440,840

Advances to related parties included in current assets is the disbursement to finance their operating activities which will be repaid within one year.

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Included in current assets		
– Company with common directors	**–**	65
– Associated companies	**6,768,438**	3,630,832
– Joint ventures	**26,124,892**	19,388,799
– Non-controlling interest	**1,140,244**	–
	34,033,574	23,019,696
Provision for impairment	**(55,182)**	(38,619)
	33,978,392	22,981,077

These advances are interest free, unsecured and have no fixed repayment terms. The carrying amounts of amounts due from related companies approximate their fair values.

The loss allowance increased by RMB26,978,000 to RMB85,316,000 for amounts due from related parties during the current reporting period.

Information about the impairment of amounts due from related parties and the Group's exposure to credit risk and foreign exchange risk can be found in Note 3.

13 Financial assets at fair value through other comprehensive income

(a) Equity investments assets at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets		
– Listed securities	**1,382,554**	608,202
– Unlisted securities	**592,392**	380,793
	1,974,946	988,995

Notes:

(i) Listed securities represented investment in listed equity securities in the PRC, HK and USA which were stated at market value based on the quoted price.

(ii) Unlisted securities represented investments measured at fair value of which the fair value are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3(e)).

(b) Amounts recognised in other comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Losses)/gains recognised in OCI	**(266,363)**	23,874

14 Financial assets at fair value through profit or loss

(a) Equity investments at FVPL comprise the following individual investments:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets		
Investment in unlisted entity (Note)	**168,016**	179,637

Note:

Investment in unlisted entity represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy.

(b) Amount recognised in profit or loss is set out below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Losses)/gains recognised in profit or loss (Note 28)	**(11,621)**	2,910

15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	**2,063,349**	1,952,313
– to be recovered within 12 months	**1,167,716**	1,102,815
	3,231,065	3,055,128
Deferred income tax liabilities		
– to be recovered after more than 12 months	**7,838,762**	6,915,800
– to be recovered within 12 months	**681,632**	617,256
	8,520,394	7,533,056
Net deferred income tax liabilities	**5,289,329**	4,477,928

The movement on the net deferred income tax account is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	**4,477,928**	3,789,892
Disposal of subsidiaries (Note 40(c))	**106,170**	998
Acquisition of/transfer to subsidiaries (Note 40(a), Note 40(b))	**(27,627)**	(155,906)
Charged to the consolidated income statement (Note 33)	**737,567**	838,661
(Charged)/credited to OCI	**(4,709)**	4,283
Ending balance	**5,289,329**	4,477,928

15 Deferred income tax *(CONTINUED)*

Movement in deferred income tax assets and liabilities for the year ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealized profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2019	1,323,933	252,296	1,230,334	2,806,563
(Charged)/credited to the consolidated income statement	(47,003)	8,525	132,135	93,657
Disposal of subsidiaries	(998)	–	–	(998)
Acquisition of subsidiaries	155,906	–	–	155,906
At 31 December 2019	1,431,838	260,821	1,362,469	3,055,128
(Charged)/credited to the consolidated income statement	**(46,757)**	**4,259**	**57,508**	**15,010**
Disposal of subsidiaries	**(106,170)**	**–**	**–**	**(106,170)**
Acquisition of/transfer to subsidiaries	**267,097**	**–**	**–**	**267,097**
At 31 December 2020	**1,546,008**	**265,080**	**1,419,977**	**3,231,065**

15 Deferred income tax *(CONTINUED)*

Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	4,619,295	970,329	970,458	36,373	6,596,455
Charged to the consolidated income statement	583,814	67,656	280,848	–	932,318
Credited to OCI	–	–	–	4,283	4,283
At 31 December 2019	5,203,109	1,037,985	1,251,306	40,656	7,533,056
Charged/(credit) to the consolidated income statement	**99,385**	**(20,801)**	**673,993**	**–**	**752,577**
Charged to OCI	**–**	**–**	**–**	**(4,709)**	**(4,709)**
Acquisition of/transfer to subsidiaries	**–**	**239,470**	**–**	**–**	**239,470**
At 31 December 2020	**5,302,494**	**1,256,654**	**1,925,299**	**35,947**	**8,520,394**

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases in accordance with HKAS 12.

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 of RMB42,750,000 (2019: RMB71,855,000) in respect of accumulated losses amounting to RMB171,000,000 (2019: RMB287,420,000) that can be carried forward against future taxable income. Losses amounting to RMB80,878,000, RMB84,299,000, RMB5,823,000, will expire in 2021, 2022, 2023 respectively.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries in the PRC. Such amounts will be reinvested according to the distribution and reinvestment plan of the Group.

16 Other non-current assets

Other non-current assets mainly represent the prepayments for acquisition of land use rights, art works and prepayments of equity interests.

As at 31 December 2020, the Group has made no prepayments (2019: RMB176,173,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained. As at 31 December 2020, prepayments of RMB13,483,055,000 (2019: RMB13,651,351,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayment for acquisition of land use rights'.

As at 31 December 2020, the Group has a balance of art works of RMB1,154,018,000 (2019: RMB580,677,000). The amounts represent the aggregate cost of art works held by the Group. In the opinion of the directors of the Company, the recoverable amounts of the art works is at least their carrying amounts at the end of both reporting periods.

As at 31 December 2020, the Group made prepayments of RMB1,321,750,000 (2019: RMB3,923,509,000) for acquisition of certain equity interests.

17 Inventories

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Inventories comprise:		
Properties under development (Note (a))	**279,870,078**	206,833,967
Completed properties held for sale (Note (b))	**33,917,192**	27,633,548
	313,787,270	234,467,515

Notes:

(a) Properties under development

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	**165,782,462**	129,946,039
Construction costs and capitalised expenditures	**92,217,323**	61,675,516
Interests capitalised	**21,870,293**	15,212,412
	279,870,078	206,833,967

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Land use rights and leasehold land		
Held on leases of:		
Over 50 years	**122,883,050**	92,864,299
Between 10 and 50 years	**42,899,412**	37,081,740
	165,782,462	129,946,039

17 Inventories *(CONTINUED)*

Notes: (continued)

(a) Properties under development (continued)

As at 31 December 2020, leasehold land of RMB8,358,828,475 (2019: RMB7,647,698,000) was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2020, properties under development of approximately RMB28,393,480,000 (2019: RMB27,725,733,000) were pledged as collateral for the Group's borrowings (Note 25).

The capitalisation rate of borrowings was 4.70% for the year ended 31 December 2020 (2019: 5.58%).

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**80,378,322**	57,191,380
Expected to be completed and available for sale within 12 months	**199,491,756**	149,642,587
	279,870,078	206,833,967

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC. Included in completed properties held for sale are land use rights as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	**12,428,392**	8,483,645
Between 10 and 50 years	**3,277,064**	2,396,276
	15,705,456	10,879,921

As at 31 December 2020, completed properties held for sale of RMB6,285,457,000 (2019: RMB1,828,144,000) were pledged as collateral for the Group's borrowings (Note 25).

For the year ended 31 December 2020, the Group recognised impairment losses of RMB2,653,000 (2019: RMB134,489,000) on completed properties held for sale (Note 29).

18 Trade and other receivables and prepayments

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables (Note (a))	**6,649,065**	5,191,560
Bidding deposits for land use rights (Note (b))	**3,028,253**	4,544,293
Prepayments for construction costs	**4,849,498**	3,752,797
Loan receivables (Note (c))	**1,528,513**	1,429,235
Prepaid tax and surcharges on pre-sale proceeds	**1,464,396**	950,873
Other receivables	**4,634,519**	3,174,694
	22,154,244	19,043,452
Provision for impairment	**(766,690)**	(310,750)
	21,387,554	18,732,702

Notes:

(a) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 180 days	**5,902,275**	4,121,346
Over 180 days and within 365 days	**299,532**	329,787
Over 365 days	**447,258**	740,427
	6,649,065	5,191,560

As at 31 December 2020, receivables arising from sales of properties were approximately RMB4,849,999,000 (2019: RMB4,773,005,000).

(b) Bidding deposits for land use rights mainly represented deposits the Group placed with various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the deposits will be fully refunded.

(c) As at 31 December 2020, loan receivables of RMB1,528,513,000 (31 December 2019: RMB1,429,235,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2020, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2020, a provision of RMB89,214,000 (31 December 2019: RMB114,161,000) was made against the gross amount of trade receivables.

The Group 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. As at 31 December 2020, a provision of RMB677,476,000 (31 December 2019: RMB196,589,000) was made against the gross amount of other receivables.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign exchange risk can be found in Note 3.

As at 31 December 2020 and 31 December 2019, trade and other receivables of the Group were mainly denominated in RMB.

19 Prepayment for acquisition of land use rights

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2020.

20 Derivative financial instruments

The Group has the following derivative financial instruments:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current assets		
Foreign currency options	**2,337**	63,004
Current liabilities		
Interest rate swaps	**33,114**	–

The movement of derivative financial instruments assets is as follows:

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	**63,004**	12,468
Acquisition of currency options and interest rate swaps (Note (a))	**13,033**	16,333
Fair value (losses)/gains – currency options and interest rate swaps (Note (a)) (Note 28)	**(68,152)**	40,288
Settlement of currency options (Note (a))	**(38,662)**	(6,085)
Closing net balances of (liabilities)/assets	**(30,777)**	63,004

20 Derivative financial instruments *(CONTINUED)*

Derivatives at fair value through profit or loss (continued)

Notes:

(a) For the year ended 31 December 2020, the Group has entered into ten interest rate swaps contracts with an aggregate notional amount of US$1,519,817,500 and settled one currency option with an aggregate notional amount of US$100,000,000.

For the year ended 31 December 2019, the Group has entered into three currency option contracts with an aggregate notional amount of US$300,000,000. These contracts do not qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value losses of RMB68,152,000 (2019: Fair value gain: RMB40,288,000) have been recognised in "Other income/other gains-net" (Note 28).

(b) On 30 April 2020, strategic investors ("Investors") entered into a Series A Preferred Share Purchase Agreement (the "Share Agreement") with the Company and certain of its subsidiaries Best Cosmos Limited ("Best Cosmos") and Shimao Services, pursuant to which the Investors agreed to subscribe for an aggregate of 5,000 Series A convertible redeemable preferred shares of Shimao Services (the "CPS") at a total consideration of RMB864,500,000. Simultaneous with the subscription, the Investors purchased from Best Cosmos an aggregate of 5,000 ordinary shares of Shimao Services to be re-designated into CPS on a one to one basis at a total consideration of RMB864,500,000.

The CPS holders have redemption right against the Group as stipulated by the agreement. Pursuant to a supplementary agreement with the CPS holders in September 2020, the redemption right against the Group has been removed. Also, the CPS were automatically converted into fully-paid and non-assessable ordinary shares of Shimao Services upon the closing of the initial public offering of ordinary shares of Shimao Services on the Main Board of the Stock Exchange.

The movements of the CPS are set out as below:

	RMB'000
As at 1 January 2020	–
Issuance of CPS	1,729,000
Change in fair value recognised in profit and loss account	75,860
Conversion to equity	(1,804,860)
As at 31 December 2020	–

21 Cash and cash equivalents and restricted cash

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Bank balances and cash		
– denominated in RMB	62,682,244	58,752,550
– denominated in US dollar	493,171	684,298
– denominated in HK dollar	5,290,753	186,181
– denominated in other foreign currencies	841	1
Less: restricted cash	(7,428,982)	(7,265,779)
	61,038,027	52,357,251

As at 31 December 2020, the Group's restricted cash comprised approximately RMB1,589,859,000 (2019: RMB1,074,895,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 38) and approximately RMB5,839,123,000 (2019: RMB6,190,884,000) of deposits pledged as collateral for the Group's borrowings (Note 25).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 31 December 2020 was 0.34% (2019: 0.34%).

22 Share capital

(a) Details of share capital of the Company are as follows:

	Par value	**Number of shares**	**Nominal value of ordinary shares**	
				Equivalent to
	HK$	'000	HK$'000	RMB'000
Authorised:				
At 31 December 2020 and 2019	**0.1**	**5,000,000**	**500,000**	
Issued and fully paid:				
At 1 January 2020		3,301,493	330,149	341,575
Placing and subscription of shares (Note)		236,204	23,620	21,275
At 31 December 2020		**3,537,697**	**353,769**	**362,850**
At 1 January 2019 and 31 December 2019		3,301,493	330,149	341,575

Note:

On 31 January 2020, the Company has issued a total of 158,000,000 shares at HK$29.58 per share in accordance with the placing and subscription agreement dated 17 January 2020, a share premium of RMB4,126,653,000 was recorded.

On 5 May 2020, the Company has issued a total of 78,204,000 shares at HK$29.73 per share in accordance with the placing and subscription agreement dated 22 April 2020, a share premium of RMB2,111,795,000 was recorded.

The issued shares rank pari passu to the then existing shares.

22 Share capital *(CONTINUED)*

(b) Share Award Scheme

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011). On 13 April 2018, the Board approved the maximum number of shares to be awarded change to 69,319,016 shares (i.e. 2% of issued shares of the Company as at 30 December 2011). On 26 March 2019, the Board approved the Share Scheme to be valid and effective until 30 December 2027.

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Share Scheme and determine the number of awarded shares.

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 31 December 2020, the Trust purchased 36,006,000 ordinary shares from market, totaling HK$523,258,000 (equivalent to RMB468,735,000), of which 43,356,984 shares were granted to eligible employees according to the Share Scheme. Up to 31 December 2020, among the shares granted, 32,439,751 shares were vested, and 3,277,922 shares were lapsed.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

Movements in the number of unvested shares granted during the year are as follows:

	Number of unvested shares granted Year ended 31 December	
	2020	2019
Unvested shares, beginning	**8,949,186**	7,378,348
Granted	**4,341,514**	5,683,969
Vested	**(5,651,389)**	(4,113,131)
Unvested shares, ending	**7,639,311**	8,949,186

The weighted average fair value of the unvested shares granted during the year ended 31 December 2020 is HK$186,691,000, equivalent to RMB158,810,000 (2019: HK$222,826,000, equivalent to RMB199,603,000).

(c) Reconciliation of the number of shares outstanding was as follows:

	As at 31 December	
	2020 '000	2019 '000
Shares issued	**3,537,697**	3,301,493
Treasury shares for Share Scheme	**(3,566)**	(9,218)
Shares outstanding	**3,534,131**	3,292,275

(d) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2020 and 2019.

23 Reserves

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2020	(185,787)	42,139	–	556,666	3,299,570	4,949	(285,189)	62,480,958	65,913,306
Profit for the year	–	–	–	–	–	–	–	12,627,679	12,627,679
Fair value losses on financial assets at FVOCI, net of tax	–	–	–	–	–	–	(276,168)	–	(276,168)
Share of other comprehensive income of joint ventures accounted for using the equity method	–	–	31,349	–	–	–	–	–	31,349
Exchange differences on translation of foreign operations	–	–	(166,508)	–	–	–	–	–	(166,508)
Transactions with CPS	–	–	1,670,871	–	–	–	–	–	1,670,871
Transactions with non-controlling interests of Shimao Services (Note)	–	–	7,009,484	–	–	–	–	–	7,009,484
Changes in ownership interests in subsidiaries without change of control	–	(575,365)	–	–	–	–	–	–	(575,365)
Placing and subscription of shares	–	6,238,448	–	–	–	–	–	–	6,238,448
Equity-settled share-based payment									
– Value of employee services	–	–	–	119,457	–	–	–	–	119,457
– Dividends received	–	4,935	–	–	–	–	–	–	4,935
Profit appropriations	–	–	–	–	393,777	–	–	(393,777)	–
2019 final dividends paid	–	–	–	–	–	–	–	(2,766,179)	(2,766,179)
2020 interim dividends paid	–	–	–	–	–	–	–	(2,192,099)	(2,192,099)
Balance at 31 December 2020	(185,787)	5,710,157	8,545,196	676,123	3,693,347	4,949	(561,357)	69,756,582	87,639,210
Representing:									
Proposed final dividend								3,259,104	3,259,104
Others								66,497,478	84,380,106
								69,756,582	87,639,210

Note:

In connection with the spin off and separate listing of Shimao Services on the Main Board of Hong Kong Stock Exchange on 30 October 2020 (including the issue of shares pursuant to the exercise of the over-allotment on 25 November 2020), the Group sold a total of 242,648,000 ordinary shares of Shimao Services and Shimao Services issued a total of 363,973,000 new ordinary shares at HKD16.60 each with HKD0.01 per share and raised gross proceeds of approximately HKD 10,069,909,000 (equivalent to RMB8,725,078,000). The excess over the then value of diluted net asset of Shimao Services of RMB1,601,935,000 net of the transaction costs of approximately RMB113,659,000 was credited to capital reserve with an amount of RMB7,009,484,000.

23 Reserves *(CONTINUED)*

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	(185,787)	31,465	431,495	3,048,338	4,949	(299,137)	55,861,308	58,892,631
Profit for the year	–	–	–	–	–	–	10,897,600	10,897,600
Fair value gains on financial assets at FVOCI, net of tax	–	–	–	–	–	13,948	–	13,948
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	(205,735)	(205,735)
Equity-settled share-based payment	–	–	–	–	–	–	–	
– Value of employee services	–	–	125,171	–	–	–	–	125,171
– Dividends received	–	10,674	–	–	–	–	–	10,674
Profit appropriations	–	–	–	251,232	–	–	(251,232)	–
2018 final dividend paid	–	–	–	–	–	–	(2,031,640)	(2,031,640)
2019 interim dividend paid	–	–	–	–	–	–	(1,789,343)	(1,789,343)
Balance at 31 December 2019	(185,787)	42,139	556,666	3,299,570	4,949	(285,189)	62,480,958	65,913,306
Representing:								
Proposed final dividend							2,671,213	2,671,213
Others							59,809,745	63,242,093
							62,480,958	65,913,306

Note:

Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the reorganisation and the nominal value of the shares of the Company issued in exchange effected prior to the listing of the Company's shares on the Stock Exchange in 2006.

24 Perpetual capital instruments

For the year ended 31 December 2020, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB2,276,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB1,800,000,000 were redeemed.

For the year ended 31 December 2019, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB4,265,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB4,700,000,000 were redeemed.

All perpetual capital instruments are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at the issuers' discretion, and there is no limit to the number of times of deferral of distribution. The perpetual capital instruments are redeemable. When the issuers elect to declare dividends to their shareholders, they shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

25 Borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	**14,499,180**	9,315,671
– secured by shares of subsidiary guarantors (Note (ii))	**21,534,498**	18,491,894
– unsecured	**26,565,165**	13,843,038
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	**10,749,320**	10,878,780
– secured by shares of subsidiary (Note (iii))	**–**	500,000
– unsecured	**5,234,600**	1,040,563
Senior notes – secured (Note (iv))	**32,136,206**	32,052,154
Medium-term notes – unsecured (Note (v))	**3,030,000**	4,800,000
Long-term bonds (Note (vi))	**21,201,123**	17,677,305
Domestic corporate bonds (Note (vii))	**4,738,620**	5,735,381
Private placement notes (Note (viii))	**1,000,000**	–
	140,688,712	114,334,786
Less: Portion of long-term bank borrowings due within one year	**(17,359,396)**	(7,206,935)
Portion of long-term borrowings from other financial institutions due within one year	**(991,680)**	(3,214,563)
Portion of senior notes due within one year	**(7,466,711)**	–
Portion of medium-term notes due within one year	**(1,530,000)**	(2,300,000)
Portion of long-term bonds due within one year	**–**	(11,299,900)
Portion of domestic corporate bonds due within one year	**(4,738,620)**	(540,000)
Amounts due within one year	**(32,086,407)**	(24,561,398)
	108,602,305	89,773,388
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by shares of subsidiary (Note (iii))	**1,000,000**	500,000
– unsecured	**3,161,852**	10,693,549
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	**285,000**	27,000
– unsecured	**7,500**	–
Short-term bonds – unsecured	**–**	1,000,000
Current portion of non-current borrowings	**32,086,407**	24,561,398
	36,540,759	36,781,947

25 Borrowings *(CONTINUED)*

Notes:

(i) As at 31 December 2020, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB25,533,500,000 (2019: RMB20,221,451,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 8), land use rights (Note 7), properties under development (Note 17(a)), completed properties held for sale (Note 17(b)) and restricted cash (Note 21), of which RMB113,980,000 (2019: RMB137,119,000) were further guaranteed by Mr. Hui Wing Mau.

(ii) On 30 October 2017, the Company entered into a multi-currency loan facility agreement with a syndicate of 12 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$680,000,000 facility and a HK$5,890,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2019, 25% will mature in 2020 and 70% will mature in 2021. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 31 December 2020, US$680,000,000 and HK$5,890,000,000 have been drawn down. As at 31 December 2020, US$476,000,000 and HK$4,123,000,000 of the principal remained outstanding (31 December 2019: US$646,000,000 and HK$5,595,500,000).

On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$540,000,000 facility and a HK$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US$570,000,000 facility and a HK$3,551,500,000 facility at a floating rate of interest. As at 31 December 2020, US$570,000,000 and HK$3,551,500,000 have been drawn down. As at 31 December 2020, US$541,500,000 and HK$3,373,925,000 of the principal remained outstanding (31 December 2019: US$570,000,000 and HK$3,551,500,000).

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$837,850,000 facility and a HK$3,994,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2021, 35% will mature in 2022 and 60% will mature in 2023. As at 31 December 2020, US$837,850,000 and HK$3,994,000,000 have been drawn down. As at 31 December 2020, US$837,850,000 and HK$3,994,000,000 of the principal remained outstanding (31 December 2019: US$200,000,000 and HK$953,392,000).

(iii) As at 31 December 2020, 430,000,000 shares (31 December 2019: 180,000,000) of the Group companies held by Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") have been pledged for total bank borrowings of RMB1,000,000,000 (31 December 2019: RMB500,000,000).

(iv) On 3 July 2017, the Company issued senior notes with total principal of US$450,000,000 and US$150,000,000 at a fixed interest rate of 4.75% due on 3 July 2022. On 11 December 2017, the Company issued senior notes with total principal of US$400,000,000 at a fixed interest rate of 4.75% due on 3 July 2022.

On 30 January 2018, the Company issued senior notes with total principal of US$500,000,000 at a fixed interest rate of 5.20% due on 30 January 2025.

On 15 March 2018, the Company issued senior notes with total principal of RMB950,000,000 at a fixed interest rate of 5.75% due on 15 March 2021.

On 3 July 2018, the Company issued senior notes with total principal of RMB1,200,000,000 at a fixed interest rate of 5.75% due on 15 March 2021.

On 15 October 2018, the Company issued senior notes with total principal of US$250,000,000 at a fixed interest rate of 6.375% due on 15 October 2021.

On 17 December 2018, the Company issued senior notes with total principal of US$570,000,000 at a fixed interest rate of 6.375% due on 15 October 2021.

On 21 February 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 6.125% due on 21 February 2024.

On 15 July 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 5.60% due on 15 July 2026.

On 13 July 2020, the Company issued senior notes with total principal of US$300,000,000 at a fixed interest rate of 4.60% due on 13 July 2030.

The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

25 Borrowings *(CONTINUED)*

Notes: (continued)

(v) On 6 February 2018, Shanghai Shimao issued medium-term notes with total principal of RMB800,000,000 at a fixed interest rate of 6.43% due on 7 February 2021.

On 6 March 2018, Shanghai Shimao issued medium-term notes with total principal of RMB700,000,000 at a fixed interest rate of 6.33% due on 8 March 2021.

On 17 December 2018, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 5.00% due on 17 December 2020. Shanghai Shimao shall be entitled to adjust the interest rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part of medium-term notes. On 17 December 2020, Shanghai Shimao redeemed medium-term notes with total principal of RMB970,000,000 at a fixed interest rate of 5.00%. The total redemption price paid was RMB1,020,000,000, including the principal amount of RMB970,000,000 plus accrued and unpaid interest of RMB50,000,000. The remaining medium-term notes with total principal of RMB30,000,000 will be due on 17 December 2021 at a fixed interest rate of 4.50%.

On 21 October 2019, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 17 December 2022.

On 9 January 2020, Shanghai Shimao issued medium-term notes with total principal of RMB500,000,000 at a fixed interest rate of 4.12% due on 9 January 2023.

(vi) On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2020. Shimao Jianshe shall be entitled to adjust the interest rate at the end of fifth year whereas the investors shall be entitled to sell back in whole or in part of long-term bonds. On 16 October 2020, Shimao Jianshe redeemed long-term bonds with total principal of RMB865,801,000 at a fixed interest rate of 4.15%. The total redemption price paid was RMB923,901,000, including the principal amount of RMB865,801,000 plus accrued and unpaid interest of RMB58,100,000. The remaining long-term bonds with total principal of RMB534,199,000 will be due on 16 October 2022 at a fixed interest rate of 4.15%.

On 15 January 2019, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 15 January 2022. On 19 March 2019, Shanghai Shimao issued second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.64% due on 19 March 2022. On 22 May 2019, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.15% due on 22 May 2022.

On 18 September 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.30% due on 18 September 2022. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on 11 November 2024. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB900,000,000 at a fixed interest rate of 4.30% due on 11 November 2022.

On 5 March 2020, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.60% due on 5 March 2023. On 8 July 2020, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 3.76% due on 8 July 2022. On 1 September 2020, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.99% due on 1 September 2022. On 24 September 2020, Shanghai Shimao issued the fourth phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.94% due on 24 September 2022.

On 25 March 2020, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,700,000,000 at a fixed interest rate of 3.23% due on 24 March 2023 and RMB2,800,000,000 at a fixed interest rate of 3.90% due on 25 March 2025. On 11 May 2020, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB3,100,000,000 at a fixed interest rate of 3.20% due on 11 May 2023. On 27 August 2020, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB2,700,000,000 at a fixed interest rate of 3.90% due on 27 August 2023.

25 Borrowings *(CONTINUED)*

Notes: (continued)

(vii) On 14 January 2016, 3 August 2016 and 22 September 2016, the Company issued domestic corporate bonds with total principal of RMB4,000,000,000, RMB540,000,000 and RMB1,200,000,000 at a fixed interest rate of 4.8%, 4.3% and 4.1% due on 14 January 2021, 3 August 2021 and 22 September 2021.

On 18 January 2019, the Company adjusted the interest rate of domestic corporate bonds with total principal of RMB4,000,000,000 from 4.8% to 6.9%. On 31 July 2019, the Company adjusted the interest rate of domestic corporate bonds with total principal of RMB540,000,000 from 4.3% to 4.6%. On 21 September 2019, the Company adjusted the interest rate of domestic corporate bonds with total principal of RMB1,200,000,000 from 4.1% to 4.9%.

On 31 July 2020, the Company early redeemed domestic corporate bonds with total principal of RMB100,000,000 at a fixed interest rate of 4.6%, which was originally due on 31 July 2021. The total redemption price paid was RMB104,600,000 including the principal amount of RMB100,000,000 plus accrued and unpaid interest of RMB4,600,000.

On 17 September 2020, the Company early redeemed domestic corporate bonds with total principal of RMB900,000,000 at a fixed interest rate of 4.9%, which was originally due 22 September 2021. The total redemption price paid was RMB944,100,000 including the principal amount of RMB900,000,000 plus accrued and unpaid interest of RMB44,100,000.

(viii) On 20 January 2020, Shanghai Shimao issued the first phase of private placement notes with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.50% due on 19 January 2023. On 26 April 2020, Shanghai Shimao issued the second phase of private placement notes with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.70% due on 25 April 2023.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity, whichever is the earlier date, is as follows:

	6 months or less RMB'000	**6–12 months** RMB'000	**1–5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2020	**9,474,618**	**11,039,310**	**38,337,402**	**49,750,975**	**108,602,305**
At 31 December 2019	19,831,229	1,701,468	19,423,415	48,817,276	89,773,388
Borrowings included in current liabilities:					
At 31 December 2020	**16,731,508**	**19,809,251**	**–**	**–**	**36,540,759**
At 31 December 2019	14,117,952	22,663,995	–	–	36,781,947

25 Borrowings *(CONTINUED)*

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Bank borrowings:		
Between 1 and 2 years	**28,869,436**	14,043,143
Between 2 and 5 years	**11,743,331**	16,699,462
Over 5 years	**4,626,680**	3,701,063
Borrowings from other financial institution:		
Between 1 and 2 years	**7,548,240**	920,980
Between 2 and 5 years	**7,444,000**	2,100,000
Over 5 years	**–**	6,183,800
Domestic corporate bonds:		
Between 1 and 2 years	**–**	5,195,381
Senior notes:		
Between 1 and 2 years	**6,502,314**	7,785,971
Between 2 and 5 years	**9,737,257**	13,867,355
Over 5 years	**8,429,924**	10,398,828
Medium-term notes:		
Between 1 and 2 years	**1,000,000**	1,500,000
Between 2 and 5 years	**500,000**	1,000,000
Long-term bonds:		
Between 1 and 2 years	**7,934,199**	–
Between 2 and 5 years	**13,266,924**	6,377,405
Private placement notes:		
Between 2 and 5 years	**1,000,000**	–
	108,602,305	89,773,388

25 Borrowings *(CONTINUED)*

The weighted average effective interest rates at the balance sheet date were as follows:

	As at 31 December	
	2020	2019
Bank borrowings	**4.2%**	3.7%
Senior notes	**5.6%**	5.8%
Borrowings from other financial institutions – RMB	**6.8%**	5.9%
Short-term bonds	**3.7%**	4.2%
Medium-term notes	**5.2%**	5.3%

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
Fixed rate portion – senior notes	**24,669,494**	**26,203,753**
Fixed rate portion – others	**45,880,033**	**45,858,729**
Floating rate portion	**38,052,778**	**38,010,105**
At 31 December 2020	**108,602,305**	**110,072,587**
Fixed rate portion – senior notes	32,052,154	33,453,744
Fixed rate portion – others	25,359,847	25,267,516
Floating rate portion	32,361,387	32,224,407
At 31 December 2019	89,773,388	90,945,667

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of senior notes recorded in non-current liabilities as at 31 December 2020 amounting to RMB26,203,753,000 (2019: RMB33,453,744,000) were calculated using the market price of the traded senior notes on the balance sheet date. The fair values of senior notes are within Level 1 of the fair value hierarchy.

The fair values of other non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of other non-current borrowings are within Level 3 of the fair value hierarchy.

26 Trade and other payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade payables (Note (a))	**82,025,056**	68,618,406
Other payables (Note (b))	**7,458,732**	4,466,369
Other taxes payable	**10,206,828**	3,329,916
Accrued expenses	**2,815,826**	2,642,895
	102,506,442	79,057,586

Notes:

(a) As at 31 December 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 90 days	**81,639,538**	68,295,163
Over 90 days and within 1 year	**385,518**	323,243
	82,025,056	68,618,406

(b) Other payables comprise:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deposits received from customers	**3,364,400**	2,043,550
Deposits from constructors	**890,346**	511,103
Rental deposits from tenants and hotel customers	**1,167,148**	897,894
Payables for equity interest	**776,329**	–
Fees collected from customers on behalf of government agencies	**335,830**	268,134
Others	**924,679**	745,688
	7,458,732	4,466,369

27 Amounts due to related parties

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
– Associated companies	**6,645,195**	4,159,537
– Joint ventures	**22,496,606**	23,639,641
– Non-controlling interests	**15,229,370**	13,703,265
	44,371,171	41,502,443

Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities. Amounts due to non-controlling interests represent funds injected by the non-controlling shareholders for the development of properties.

The balances due to related parties are unsecured, interest-free and have no fixed repayment terms.

28 Other income/other gains – net

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Other income		
Government grants received	**218,629**	59,811
Other gains – net		
Net gains on disposal of subsidiaries with loss of control (Note 40(c))	**33,302**	41,153
(Losses)/gains on derivative financial instruments (Note 20)	**(68,152)**	40,288
Net gains on deemed disposal of joint ventures	**400,302**	143,823
Net gains arising from negative goodwill (Note 40(b))	**205,264**	–
Penalty income (Note)	**84,362**	47,658
(Losses)/gains on financial assets at FVPL (Note 14)	**(11,621)**	2,910
Others	**167,249**	15,996
	810,706	291,828
	1,029,335	351,639

Note:

Penalty income represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

29 Expenses by nature

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of properties sold and others	**94,370,693**	75,920,355
Including: interests capitalised	**6,297,797**	4,870,868
land and construction	**84,793,854**	69,427,572
Taxes and surcharges on sales of properties	**705,606**	594,189
Staff costs – including directors' emoluments (Note 31(a))	**3,230,295**	2,641,901
Advertising, promotion and commission costs	**3,154,303**	1,997,639
Direct expenses arising from hotel operation	**923,886**	1,154,735
Corporate and office expenses	**1,454,224**	912,629
Consulting fee	**774,942**	320,278
Depreciation and amortisation (Note 6) (Note 9)	**753,067**	732,951
Amortisation of right-of-use assets (Note 7(b))	**231,605**	221,738
Charitable donations	**134,759**	83,032
Auditor's remuneration	**23,990**	24,150
– Audit services	**13,000**	14,000
– Non-audit services	**10,990**	10,150
Provision for impairment losses on financial assets	**482,918**	70,375
Provision for impairment losses on completed properties held for sale (Note 17(b))	**2,653**	134,489
Other expenses	**344,021**	191,969
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	**106,586,962**	85,000,430

30 Finance (income)/costs – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
– interest income on short-term bank deposits	**(1,229,203)**	(923,869)
– net foreign exchange gain (Note)	**(4,399,999)**	–
Finance income	**(5,629,202)**	(923,869)
Interest on bank borrowings		
– wholly repayable within five years	**6,246,630**	5,562,163
– not wholly repayable within five years	**226,598**	251,699
Interest on senior notes		
– wholly repayable within five years	**1,494,727**	1,879,865
– not wholly repayable within five years	**437,841**	185,284
Interest on borrowings from other financial institutions		
– wholly repayable within five years	**954,156**	869,510
Interest charges paid/payable for lease liabilities (Note 7)		
– wholly repayable within five years	**11,763**	17,406
	9,371,715	8,765,927
Net foreign exchange loss	**–**	1,237,688
Less: interest and foreign exchange losses capitalised	**(7,057,972)**	(8,794,826)
Finance costs	**2,313,743**	1,208,789
Net finance (income)/costs	**(3,315,459)**	284,920

Note:

Net foreign exchange gain mainly represents gain on translation of foreign currency borrowings.

31 Employee benefit expense

(a) Staff costs (including directors' emoluments) comprise:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Wages and salaries	**2,669,236**	2,037,442
Pension costs – statutory pension (Note (b))	**156,931**	218,174
Other allowances and benefits	**404,128**	386,285
	3,230,295	2,641,901

(b) Pensions-defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2019: four) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining one (2019: one) individual during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**102**	1,974
Contribution to pension scheme	**21**	115
Bonuses	**4,184**	2,016
	4,307	4,105

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in RMB)		
RMB4,000,001 – RMB4,500,000	**1**	1

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2020 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	–	5,470	912	–	–	–	6,382
Mr. Hui Sai Tan, Jason	–	7,022	–	–	16	6,213	13,251
Ms. Tang Fei	–	3,226	269	60	68	4,730	8,353
Mr. Lu Yi (Note)	–	2,607	561	120	68	2,890	6,246
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	328	–	–	–	–	–	328
Mr. Lyu Hong Bing	328	–	–	–	–	–	328
Mr. Lam Ching Kam	328	–	–	–	–	–	328
	984	18,325	1,742	180	152	13,833	35,216

Note: Mr. Lu Yi was appointed as an executive director with effect from 2 January 2020.

The remuneration of each of the directors of the Company for the year ended 31 December 2019 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	–	5,375	896	–	–	–	6,271
Mr. Hui Sai Tan, Jason	–	6,655	–	–	16	3,642	10,313
Ms. Tang Fei	–	2,933	978	60	115	2,691	6,777
Non-executive directors							
Mr. Liu Sai Fei (Note)	–	2,911	289	–	–	–	3,200
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	317	–	–	–	–	–	317
Mr. Lyu Hong Bing	317	–	–	–	–	–	317
Mr. Lam Ching Kam	317	–	–	–	–	–	317
	951	17,874	2,163	60	131	6,333	27,512

Note: Mr. Liu Sai Fei resigned as a non-executive director with effect from 2 January 2020.

32 Benefits and interests of directors *(CONTINUED)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year.

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favor of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

33 Income tax expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– PRC enterprise and withholding income tax	**6,760,624**	6,151,969
– PRC land appreciation tax	**6,630,929**	5,644,757
	13,391,553	11,796,726
Deferred income tax		
– PRC enterprise and withholding income tax (Note 15)	**737,567**	838,661
	14,129,120	12,635,387

33 Income tax expense *(CONTINUED)*

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 companies within the Group as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**33,591,586**	29,015,352
Less: Share of results of associated companies and joint ventures	**(159,320)**	(96,825)
Less: Land appreciation tax	**(6,630,929)**	(5,644,757)
	26,801,337	23,273,770
Calculated at PRC enterprise income tax rate of 25% (2019:25%)	**6,700,334**	5,818,443
Effect of different tax rates in other countries or regions	**(515,908)**	(1,396)
Expenses and losses not deductible for income tax purposes (Note (a))	**457,589**	500,121
Income not subject to tax (Note (b))	**(903,945)**	(290,015)
Tax losses not recognised	**111,128**	504,188
PRC withholding income tax and others	**1,649,863**	459,289
PRC enterprise and withholding income tax charge	**7,499,061**	6,990,630
PRC land appreciation tax charge	**6,630,929**	5,644,757
	14,129,990	12,635,387

Notes:

(a) Expenses and losses not deductible for income tax purposes mainly resulted from net exchange losses and expenses incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.

(b) Income not subject to tax arose mainly from interest income and net exchange gains earned by companies incorporated in Cayman Islands, the British Virgin Islands and Hong Kong.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2020 (2019: nil).

PRC enterprise income tax

PRC enterprise income tax is almost provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purposes.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

34 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
Profit attributable to the equity holders of the Company (RMB'000)	**12,627,679**	10,897,600
Weighted average number of ordinary shares in issue (thousands)	**3,492,773**	3,291,138
Basic earnings per share (RMB cents)	**361.5**	331.1

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Award Scheme assuming they were exercised. The conversion of the convertible redeemable shares of subsidiary would result in an anti-dilutive effect on the diluted earnings per share for the year ended 31 December 2020.

	Year ended 31 December	
	2020	2019
Profit attributable to the equity holders of the Company (RMB'000)	**12,627,679**	10,897,600
Weighted average number of ordinary shares in issue (thousands)	**3,492,773**	3,291,138
Adjustment for shares granted under Share Scheme (thousands)	**4,075**	5,203
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,496,848**	3,296,341
Diluted earnings per share (RMB cents)	**361.1**	330.6

35 Dividends

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Interim dividends paid of HK70 cents (2019: HK60 cents) per ordinary share (Note (a))	**2,192,099**	1,783,599
Proposed final dividends of HK110 cents (2019: HK85 cents) per ordinary share (Note (b))	**3,259,104**	2,671,213
	5,451,203	4,454,812

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2020 of HK60 cents per ordinary share and a special dividend of HK10 cents per ordinary share for the six months ended 30 June 2020, amounting to HK$2,476,388,000 (equivalent to RMB2,192,099,000) were paid in September 2020 (2019: RMB1,783,599,000).

(b) At a meeting held on 30 March 2021, the Directors proposed a final dividend of HK90 cents per ordinary share and a special dividend of HK20 cents per ordinary share for the year ended 31 December 2020. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ended 31 December 2020 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB2,671,213,000 relating to the year ended 31 December 2019 was paid in 2020.

36 Notes to the consolidated statements of cash flows

(a) Net cash generated from operations:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Profit before income tax	**33,591,586**	29,015,352
Adjustments for:		
Interest income	**(1,229,203)**	(923,869)
Interest expense	**2,313,743**	1,044,140
Provision of impairment losses on financial assets	**482,918**	70,375
Provision for impairment loss on completed properties held for sale	**2,653**	134,489
Depreciation	**753,067**	732,951
Share of results of associated companies and joint ventures accounted for using the equity method	**(159,320)**	(96,825)
Net gains on disposal of subsidiaries with loss of control	**(33,302)**	(41,153)
Net gains on deemed disposal of joint ventures	**(400,302)**	(143,823)
Net gains arising from negative goodwill	**(205,264)**	–
Losses from disposal of shares of joint ventures	**20,712**	–
Losses from closure of joint ventures	**455**	–
Losses from disposal of associated companies	**38**	–
Amortisation of right-of-use assets	**231,605**	221,738
Fair value losses/(gains) on derivative financial instruments	**68,152**	(40,288)
Fair value losses/(gains) on financial assets at FVPL	**11,621**	(2,910)
Fair value gains on investment properties	**(397,539)**	(2,335,257)
Fair value changes of on convertible redeemable preferred shares	**75,860**	–
Value of employee services arising from equity-settled share based payment scheme	**119,457**	125,171
Net exchange (gains)/losses	**(4,399,999)**	164,649
	30,846,938	27,924,740
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	**(21,770,264)**	(14,808,706)
Land use rights	**–**	65,465
Other non-current assets	**(1,016,487)**	(341,660)
Restricted cash	**(514,964)**	(394,546)
Trade and other receivables and prepayments	**1,925,480**	6,073,962
Trade and other payables	**9,052,369**	12,561,388
Contract liabilities	**3,141,282**	6,802,072
Amounts due to related companies excluding non-controlling Interests	**1,342,623**	6,967,131
Net cash generated from operations	**23,006,977**	44,849,846

36 Notes to the consolidated statements of cash flows *(CONTINUED)*

(b) Net debt reconciliation

Net debt	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Borrowings – repayable within one year	**36,540,759**	36,781,947
Borrowings – repayable after one year	**108,602,305**	89,773,388
Cash and cash equivalents	**(61,038,027)**	(52,357,251)
Restricted cash	**(7,428,982)**	(7,265,779)
Lease liability	**76,947**	232,948
Net debt	**76,753,002**	67,165,253
Gross debt – fixed interest rates	**91,469,159**	78,974,816
Gross debt – variable interest rates	**53,673,905**	47,580,519
Cash and cash equivalents	**(61,038,027)**	(52,357,251)
Restricted cash	**(7,428,982)**	(7,265,779)
Lease liability	**76,947**	232,948
Net debt	**76,753,002**	67,165,253

	Other assets		Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Lease liability RMB'000	Total RMB'000
Net debt as at 31 December 2018	(43,688,296)	(5,888,489)	31,306,474	77,825,292	–	59,554,981
Cash flows	(8,653,414)	(1,377,290)	(20,394,196)	27,877,775	(140,617)	(2,687,742)
Foreign exchange adjustments	(15,541)	–	181,732	1,170,959	–	1,337,150
Reclassification	–	–	24,561,398	(24,561,398)	–	–
Other non-cash movements	–	–	1,126,539	7,460,760	373,565	8,960,864
Net debt as at 31 December 2019	(52,357,251)	(7,265,779)	36,781,947	89,773,388	232,948	67,165,253
Cash flows	**(8,896,000)**	**(163,203)**	**(36,791,303)**	**44,378,586**	**(187,283)**	**(1,659,203)**
Foreign exchange adjustments	**215,224**	**–**	**(1,511,353)**	**(3,665,813)**	**–**	**(4,961,942)**
Reclassification	**–**	**–**	**32,086,407**	**(32,086,407)**	**–**	**–**
Other non-cash movements	**–**	**–**	**5,975,061**	**10,202,551**	**31,282**	**16,208,894**
Net debt as at 31 December 2020	**(61,038,027)**	**(7,428,982)**	**36,540,759**	**108,602,305**	**76,947**	**76,753,002**

37 Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2020 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB3,751,168,261	63.92%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Shopping mall and hotel
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US$75,000,000	100%	Property development
西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK$650,000,000	100%	Hotel
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US$18,400,000	100%	Property development and hotel
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	81.96%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	63.92%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	81.96%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US$114,269,000	100%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	63.92%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US$109,600,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US$323,730,000	100%	Property development
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Foreign investment enterprise	Registered capital US$108,900,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK$1,120,000,000	100%	Trading of construction
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US$178,000,000	100%	Property development
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB269,300,000	63.92%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,640	63.92%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	63.92%	Property development
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction
紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	63.92%	Property development
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Foreign investment enterprise	Registered capital US$200,000,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
上海世盈投資管理有限公司 (Shanghai Shiying Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB692,174,000	63.92%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$16,000,000	95%	Property development
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$29,980,000	100%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US$49,980,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding
大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.)	4 September 2009	Foreign investment enterprise	Registered capital US$100,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao New Miles Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB1,470,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	81.60%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US$326,489,800	100%	Property development
寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.)	27 May 2010	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB1,000,000,000	63.92%	Property development
文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	100%	Property development
南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.)	26 April 2011	Domestic enterprise	Registered capital US$692,000,000	100%	Property development
青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB450,000,000	63.92%	Property development
平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB615,630,000	100%	Property development
武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.)	23 March 2012	Domestic enterprise	Registered capital RMB526,000,000	100%	Property development
蘇州世茂新里程置業有限公司 (Suzhou Shimao New Miles Property Co., Ltd.)	17 January 2013	Domestic enterprise	Registered capital RMB600,000,000	63.92%	Property development
南通沿海世茂房地產開發有限公司 (Nantong Yanhai Shimao Real Estate Development Co., Ltd.)	9 May 2013	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US$150,000,000	51%	Property development
寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.)	9 June 2013	Domestic enterprise	Registered capital RMB1,238,500,000	63.92%	Property development
常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB850,000,000	63.92%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US$136,000,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US$120,000,000	100%	Property development
濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.)	7 January 2014	Domestic enterprise	Registered capital RMB2,911,110,000	63.92%	Property development
上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.)	21 January 2014	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Investment holding
南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.)	2 July 2014	Domestic enterprise	Registered capital RMB120,000,000	100%	Property development
南京世招荃晟置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.)	27 January 2015	Domestic enterprise	Registered capital RMB250,000,000	51%	Property development
銀川海茂房地產有限公司 (Yinchuan Haimao Real Estate Co., Ltd.)	20 May 2015	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
銀川世海房地產有限公司 (Yinchuan Shihai Real Estate Co., Ltd.)	2 September 2015	Domestic enterprise	Registered capital RMB50,000,000	51%	Property development
銀川世茂新發展置業有限公司 (Yinchuan Shimao New Development Property Co., Ltd.)	12 January 2016	Domestic enterprise	Registered capital RMB103,624,000	96.50%	Property development
銀川世茂新體驗置業有限公司 (Yinchuan Shimao New Experience Property Co., Ltd)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
銀川世茂新領域置業有限公司 (Yinchuan Shimao New Domain Property Co., Ltd)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
銀川世茂新里程置業有限公司 (Yinchuan Shimao New Miles Property Co., Ltd)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
杭州融大齊雲置業有限公司 (Hangzhou Rongda Qiyun Property Co., Ltd)	8 September 2016	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
泉州世茂融信新世紀房地產有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	63.92%	Property development
泉州世茂融信新領航房地產有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	63.92%	Property development
上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.)	19 January 2017	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
山東領邦華皓置業有限公司 (Shandong Lingbang Huahao Property Co., Ltd.)	15 August 2017	Domestic enterprise	Registered capital RMB450,000,000	63.92%	Property development
福州世茂世盈置業有限公司 (Fuzhou Shimao Shiying Property Co., Ltd.)	22 September 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development
寧波世茂新領航置業有限公司 (Ningbo Shimao New Pioneer Property Co., Ltd.)	27 December 2017	Domestic enterprise	Registered capital RMB800,000,000	51%	Property development
濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd)	23 March 2018	Domestic enterprise	Registered capital RMB50,000,000	70%	Property development
平陽世盈房地產開發有限公司 (Pingyang Shiying Real Estate Development Co., Ltd)	4 June 2018	Domestic enterprise	Registered capital RMB410,000,000	51%	Property development
銀川世茂嘉年華房地產開發有限公司 (Yinchuan Shimao Carnival Real Estate Development Co., Ltd)	11 July 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
青島世茂世悦置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd)	7 August 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd)	27 August 2018	Domestic enterprise	Registered capital RMB50,000,000	41.62%	Property development
湖北長荊上河置業有限公司 (Hubei Changjing Shanghe Property Co., Ltd)	27 August 2018	Domestic enterprise	Registered capital RMB50,000,000	60%	Property development
合肥世茂欣源茂房地產開發有限公司 (Hefei Shimao Xinyuan Real Estate Development Co., Ltd.)	10 May 2019	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
肇慶四會悦盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd)	15 April 2019	Domestic enterprise	Registered capital RMB5,000,000	100%	Property development
茂名世茂悦盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd)	4 April 2019	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
天台茂龍房地產開發有限公司 (Tiantai Maolong Real Estate Development Co., Ltd)	23 July 2019	Domestic enterprise	Registered capital RMB266,000,000	51%	Property development
淄博盛元房地產諮詢有限公司 (Zibo Shengyuan Real Estate Development Co., Ltd)	13 August 2019	Domestic enterprise	Registered capital RMB2,000,000	81.60%	Property development
天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.)	5 December 2019	Domestic enterprise	Registered capital RMB310,000,000	51%	Property development
荊州長盈置業有限公司 (Jingzhou Changying Property Co., Ltd)	6 December 2019	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd)	28 November 2019	Domestic enterprise	Registered capital RMB210,000,000	100%	Property development
淮北世茂房地產開發有限公司 (Huaibei Shimao Real Estate Development Co., Ltd)	27 December 2019	Domestic enterprise	Registered capital RMB303,750,000	60%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
南平光耀世隆房地產開發有限公司 (Nanping Guangyao Shilong Real Estate Development Co., Ltd)	20 January 2020	Domestic enterprise	Registered capital RMB50,000,000	60%	Property development
麗水世茂新紀元置業有限公司 (Lishui Shimao New Era Property Co., Ltd)	17 February 2020	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
海安市百俊房地產開發有限公司 (Haian Baijun Real Estate Development Co., Ltd)	27 February 2020	Domestic enterprise	Registered capital RMB380,000,000	51%	Property development
溫州世茂新騰飛房地產開發有限公司 (Wenzhou Shimao Xintengfei Real Development Co., Ltd)	9 March 2020	Domestic enterprise	Registered capital RMB20,000,000	100%	Property development
合肥梁佑置業有限公司 (Hefei Liangyou Property Co., Ltd)	25 March 2020	Domestic enterprise	Registered capital RMB335,288,328	51%	Property development
佛山市粵茂房地產開發有限公司 (Foshan Maoyue Real Estate Development Co., Ltd.)	7 April 2020	Domestic enterprise	Registered capital RMB14,925,374	67%	Property development
霞浦世茂金禾置業有限公司 (Xiapu Shimao Jinhe Property Co., Ltd)	7 April 2020	Domestic enterprise	Registered capital RMB416,500,000	51%	Property development
九江世茂華晟置業有限公司 (Jiujiang Shimao Huasheng Property Co., Ltd)	13 April 2020	Domestic enterprise	Registered capital RMB203,420,970	51%	Property development
肇慶世茂悦桂房地產開發有限公司 (Zhaoqing Shimao Yuegui Real Estate Development Co., Ltd)	21 April 2020	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
三亞翔睿置業有限責任公司 (Sanya Xiangrui Property Co., Ltd)	21 May 2020	Domestic enterprise	Registered capital RMB1,200,000,000	63.92%	Property development
阜陽世茂房地產開發有限公司 (Fuyang Shimao Real Estate Development Co., Ltd.)	2 June 2020	Domestic enterprise	Registered capital RMB395,750,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
佛山德茂房地產開發有限公司 (Foshan Demao Real Estate Development Co., Ltd.)	4 June 2020	Domestic enterprise	Registered capital RMB5,000,000	100%	Property development
福州茂洲置業有限公司 (Fuzhou Maozhou Property Co., Ltd)	5 June 2020	Domestic enterprise	Registered capital RMB10,000,000	41.62%	Property development
南昌金駿房地產開發有限公司 (Nanchang Jinjun Real Estate Development Co., Ltd.)	16 June 2020	Domestic enterprise	Registered capital RMB185,460,000	51%	Property development
茂名世茂悦升房地產開發有限公司 (Maoming Shimao Yuesheng Real Estate Development Co., Ltd)	3 July 2020	Domestic enterprise	Registered capital RMB20,000,000	81.60%	Property development
瀋陽世茂新里程房地產開發有限公司 (Shenyang Shimao New Miles Real Estate Development Co., Ltd)	7 July 2020	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands					
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US$50,000	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Precisely Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
East Lighter Group Limited	12 May 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Ease Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Win Real Group Limited	29 May 2007	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary shares of US$450,000,000	100%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US$1	100%	Investment holding

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – incorporated and operation conducted in Hong Kong					
Shimao Investment Holdings Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK$395 million	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK$1	100%	Management services
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Grandday International Limited	11 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability company	1 ordinary share of HK$1	100%	Hotel
Adventure Success Limited	25 November 2014	Limited liability company	1 ordinary share of HK$1	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Associated companies – established and operation conducted in the PRC					
成都市恒裕房地產開發有限公司 (Chengdu Hengyu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB130,000,000	33.33%	Property development
北京創譽房地產開發有限公司 (Beijing Chuangyu Real Estate Development Co., Ltd.)	2 April 2013	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.)	5 February 2015	Domestic enterprise	Registered capital RMB820,000,000	49%	Property development
杭州龍尚房地產開發有限公司 (Hangzhou Longshang Real Estate Development Co., Ltd.)	8 August 2016	Domestic enterprise	Registered capital RMB1,000,000,000	25%	Property development
佛山市順德區寶弘房地產開發有限公司 (Foshan Shunde District Baohong Real Estate Development Co., Ltd.)	16 December 2016	Domestic enterprise	Registered capital RMB2,640,000,000	25%	Property Development
蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB2,875,000,000	33%	Property development
宣城世茂卓盈房地產開發有限公司 (Xuancheng Shimao Zhuoying Real Estate Development Co., Ltd)	20 August 2019	Domestic enterprise	Registered capital RMB20,000,000	49%	Property development
南寧金盛泓房地產開發有限公司 (Nanning Jinshenghong Real Estate Development Co., Ltd)	10 April 2019	Domestic enterprise	Registered capital RMB205,000,000	40%	Property development
巢湖市世巽置業有限公司 (Chaohu Shixun Property Co., Ltd)	24 July 2019	Domestic enterprise	Registered capital RMB20,000,000	40%	Property development
福州融檸置業有限公司 (Fuzhou Rongning Property Co., Ltd)	30 April 2020	Domestic enterprise	Registered capital RMB900,000,000	33%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Associated companies – established and operation conducted in the PRC (continued)					
北京合力運興置業有限公司 (Beijing Heli Yunxing Property Co., Ltd)	28 May 2020	Domestic enterprise	Registered capital RMB2,100,000,000	49%	Property development
南昌茂悦湖置業有限公司 (Nanchang Maoyue Lake Property Co., Ltd)	22 June 2020	Domestic enterprise	Registered capital RMB511,105,200	33%	Property development
佳裕置業(東莞)有限公司 (Jiayu Property (Dongguan) Co., Ltd)	14 July 2020	Domestic enterprise	Registered capital RMB10,000,000	49%	Property development
Associated companies – established and operation conducted in the British Virgin Islands					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
Joint ventures – established and operation conducted in the PRC					
上海春日置業有限公司 (Shanghai Chunri Property Co., Ltd.)	3 August 2001	Domestic enterprise	Registered capital RMB90,000,000	45%	Property development
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign Investment enterprise	Registered capital RMB2,059,377,000	26.67%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
天津和安投資有限公司 (Tianjin He'an Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
寧波鼎峰房地產開發有限公司 (Ningbo Dingfeng Real Estate Development Co., Ltd.)	17 September 2013	Domestic enterprise	Registered capital RMB125,000,000	40%	Property development
杭州茂國悦盈置業有限公司 (Hangzhou Maoguo Yueying Property Co., Ltd.)	16 February 2017	Domestic enterprise	Registered capital RMB1,500,000,000	50%	Property development
廣州新合房地產有限公司 (Guangzhou Xinhe Real Estate Co., Ltd.)	11 May 2017	Domestic enterprise	Registered capital RMB100,000,000	33%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Joint ventures – established and operation conducted in the PRC (continued)					
濟南碧世榮光房地產開發有限公司 (Jinan Bishi Rongguang Real Estate Development Co., Ltd.)	19 June 2017	Domestic enterprise	Registered capital RMB10,000,000	33%	Property development
佛山市新紀元置業有限公司 (Foshan New Era Property Co., Ltd.)	27 June 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
福州世茂瑞盈置業有限公司 (Fuzhou Shimao Ruiying Property Co., Ltd)	4 January 2018	Domestic enterprise	Registered capital RMB10,000,000	20%	Property development
南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.)	15 May 2018	Domestic enterprise	Registered capital RMB100,000,000	42%	Property development
滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd)	29 June 2018	Domestic enterprise	Registered capital RMB1,455,000,000	25%	Property development
舟山世茂房地產開發有限公司 (Zhoushan Shimao Real Estate Development Co., Ltd.)	18 June 2019	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
肇慶四會豐盈房地產開發有限公司 (Zhaoqing Sihui Fengying Real Estate Development Co., Ltd)	5 June 2019	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
莆田聯茂置業有限公司 (Putian Lianmao Real Estate Development Co., Ltd)	12 June 2019	Domestic enterprise	Registered capital RMB200,000,000	49%	Property development
滎陽市雅恒置業有限公司 (Xingyang Yaheng Property Co., Ltd)	25 June 2019	Domestic enterprise	Registered capital RMB30,303,030	33%	Property development
武漢光谷芯動力地產開發有限公司 (Wuhan Optical Core Power Real Estate Development Co., Ltd)	14 April 2020	Domestic enterprise	Registered capital RMB50,000,000	30%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Joint ventures – established and operation conducted in Hong Kong					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK$2	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK$2	50%	Investment holding
Sky Asia Properties Limited	10 April 2017	Limited liability company	1 ordinary share of HK$1	22.5%	Property development

38 Contingencies and financial guarantee contracts

(a) The Group had the following contingent liabilities:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**24,376,406**	19,119,460

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. As in the 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, no provision has been made in the financial statements for the guarantees.

38 Contingencies and financial guarantee contracts *(CONTINUED)*

(b) The Group had the following financial guarantee liabilities:

		As at 31 December	
	Year of maturity	2020 RMB'000	2019 RMB'000
Guarantee in respect of borrowings	2020-2023	**11,486,391**	9,503,366

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings and other financial institutions borrowings. These guarantees are not expected to result in significant outflow of the Group's resources and no financial liability is recognised in this connection as the estimated fair value on financial guarantee contract loss is insignificant.

(c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. ("Hangzhou Shimao"), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within 'Other income/other gains – net' during the year ended 31 December 2016. As at 31 December 2020, the legal litigation is still in trial process. In light of the legal advice obtained by the Group, the outcome of this legal litigation will not give rise to any significant loss beyond the estimated amounts provided as at 31 December 2020 and 2019. No more provision has been accrued or reversed during the year ended 31 December 2020.

For other outstanding litigation against the Group as at 31 December 2020, it is expected that they would not have significant impact to the Group.

39 Commitments

Commitments for capital and property development expenditure

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contracted but not provided for		
– Property and equipment	**1,573,524**	2,448,055
– Land use rights (including those related to associated companies and joint ventures)	**10,545,643**	26,959,655
– Properties being developed by the Group for sale	**46,323,531**	43,023,356
	58,442,698	72,431,066

40 Significant acquisition or disposal of subsidiaries and transactions with NCI

Saved as disclosed in Note 20 and Note 23 in respect of the CPS and the spin off and separate listing of Shimao Services, the Group has the following significant acquisition or disposal of subsidiaries and transactions with NCI.

(a) Certain joint ventures transferred to subsidiaries

For the year ended 31 December 2020, the Group acquired the equity interests of certain joint ventures of the Group, at a consideration of RMB2,199,522,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The fair value of the investment in the joint venture was RMB1,955,522,000 before the acquisition. The purchase resulted in a net cash inflow of RMB81,068,000 was recognised from the acquisition.

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Total purchase consideration	
Cash consideration paid	2,199,522
Fair value of investments in joint ventures held before business combinations	1,955,522
	4,155,044
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,280,590
Properties under development	25,303,501
Trade and other receivables and prepayments	4,735,069
Prepaid income taxes	340,330
Property and equipment and intangible assets (Note 6) (Note 9)	8,439
Deferred income tax assets (Note 15)	152,019
Borrowings	(7,365,900)
Contract liabilities	(14,520,063)
Deferred income tax liabilities (Note 15)	(94,782)
Income tax payable	(561,494)
Trade and other payables	(5,562,034)
Total identifiable net assets	4,715,675
Non-controlling interests	(560,631)
	4,155,044
Outflow of cash to acquire business, net of cash acquired:	
Cash consideration paid	(2,199,522)
Cash and cash equivalents in the entities acquired	2,280,590
Net cash inflow from the acquisition	81,068

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(CONTINUED)*

(b) Acquisition of subsidiaries

For the year ended 31 December 2020, the Group acquired the equity interests of certain companies, at a total consideration of RMB1,867,872,000. The Group gained control over these companies pursuant to the revised articles of association. The purchase resulted in a net cash inflow of RMB179,299,000.

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Total purchase consideration	
Cash consideration paid	1,867,872
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,047,171
Completed properties held for sale	45,846
Properties under development	32,088,512
Trade and other receivables and prepayments	803,870
Prepaid income taxes	392,348
Property and equipment and intangible assets (Note 6) (Note 9)	734,500
Deferred income tax assets (Note 15)	115,078
Borrowings	(8,811,712)
Contract liabilities	(15,441,564)
Deferred income tax liabilities (Note 15)	(144,688)
Income tax payable	(429,365)
Trade and other payables	(9,831,981)
Total identifiable net assets	1,568,015
Non-controlling interests	(539,970)
Goodwill (Note 9)	1,045,091
Negative goodwill (Note 28)	(205,264)
	1,867,872
Outflow of cash to acquire business, net of cash acquired	
Cash consideration paid	(1,867,872)
Cash and cash equivalents in the entities acquired	2,047,171
Net cash inflow from the acquisition	179,299

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(CONTINUED)*

(c) Disposal of subsidiaries with loss of control and remaining interest retained as joint venture

For the year ended 31 December 2020, the Group lost control of certain subsidiaries. The remaining interests of the Group in these joint ventures have a fair value of RMB1,554,900,000. The disposal resulted in a net cash outflow of RMB65,530,000 and net gains of RMB33,302,000.

Net assets disposed and reconciliation of disposal gains and cash inflow on disposal are as follow:

	RMB'000
Cash and cash equivalents	414,213
Completed properties held for sale	438,116
Properties under development	3,939,260
Property and equipment and intangible assets (Note 6) (Note 9)	591,047
Trade and other receivables and prepayments	400,751
Prepaid income taxes	18,133
Deferred income tax assets (Note 15)	106,170
Trade and other payables	(1,190,003)
Contract liabilities	(1,628,671)
Total identifiable net assets	3,089,016
Non-controlling interests	(1,218,735)
Net assets attributable to the equity holders of the Company	1,870,281
Total consideration	348,683
Fair value of interests retained in joint ventures	1,554,900
Net assets disposed	(1,870,281)
Disposal gains (Note 28)	33,302
Total consideration	348,683
Less: cash and cash equivalents in the entities disposed	(414,213)
Net cash outflow due to disposal	(65,530)

(d) Transaction with non-controlling interests

(i) Capital contribution from non-controlling interests

For the year ended 31 December 2020, non-controlling interests made several capital injections into the Group with total amount of RMB13,209,041,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(CONTINUED)*

(d) Transaction with non-controlling interests (continued)

(ii) Changes in ownership interests in subsidiaries without change of control

For the year ended 31 December 2020, the Group acquired additional interests in the subsidiaries for a net consideration of RMB6,380,051,000. The Group recognised a decrease in non-controlling interests of RMB5,804,687,000 and a decrease in the equity attributable to the equity holders of the Company of RMB575,364,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	The date of acquisition RMB'000
Carrying amount of non-controlling interests acquired	5,804,687
Consideration paid in current period to non-controlling interests	(6,380,051)
Excess of consideration paid recognised in equity	(575,364)

From 25 December 2019 to 5 June 2020, the Group accumulated 187,558,342 shares of Shanghai Shimao capital stock certificate through the Shanghai Stock Exchange centralization or decentralization auction trading system, accounting for 5% of Shanghai Shimao's total share capital. After the implementation of this shareholding increase plan is completed, the Group holds 63.92% of Shanghai Shimao's total share capital.

41 Related party transactions

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 55.064% of the Company's shares. The ultimate controlling party of the Group is Mr.Hui Wing Mau.

(a) Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into the following major related party transactions.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Brand management fee income	**443,369**	247,523
Construction material sold to related companies	**205,468**	78,933
	648,837	326,456

(b) Key management compensation

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	**20,247**	20,152
– Retirement scheme contributions	**152**	131
	20,399	20,283

42 Events after the reporting period

On 11 January 2021, the Company issued senior notes with total principal of US$872,000,000 at a fixed interest rate of 3.45% due on 11 January 2031.

43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 30 March 2021.

44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Audited 31 December 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**41,993,056**	40,228,627
Other non-current assets	**–**	419,946
	41,993,056	40,648,573
Current assets		
Other receivables	**4,802**	11,487
Derivate financial instruments	**2,337**	63,004
Dividends receivable from subsidiaries	**40,022,967**	30,787,361
Cash and cash equivalents	**521,833**	153,541
	40,551,939	31,015,393
Total assets	**82,544,995**	71,663,966
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	**362,850**	341,575
Reserves		
– Proposed final dividend	**3,259,104**	2,671,213
– Others	**15,624,118**	6,211,031
Total equity	**19,246,072**	9,223,819
LIABILITIES		
Non-current liabilities		
Borrowings	**41,215,591**	54,936,425
Current liabilities		
Borrowings	**21,191,238**	6,491,752
Other payables and accrued expenses	**825,020**	978,010
Amounts due to subsidiaries	**33,960**	33,960
Derivative financial instruments	**33,114**	–
	22,083,332	7,503,722
Total liabilities	**63,298,923**	62,440,147
Total equity and liabilities	**82,544,995**	71,663,966
Net current assets	**18,468,607**	23,511,671
Total assets less current liabilities	**60,461,663**	64,160,244

The financial statements on pages 179 to 180 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Hui Wing Mau	**Hui Sai Tan, Jason**
Director	*Director*

44 Balance sheet and reserve movement of the Company *(CONTINUED)*

Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	512,879	404,226	4,949	4,617,149	5,539,203
Profit for the year	–	–	–	7,028,179	7,028,179
Equity-settled share-based payment					
– Value of employee services	–	125,171	–	–	125,171
– Dividends received	10,674	–	–	–	10,674
2018 final dividend paid	–	–	–	(2,031,640)	(2,031,640)
2019 interim dividend paid	–	–	–	(1,789,343)	(1,789,343)
Balance at 31 December 2019	523,553	529,397	4,949	7,824,345	8,882,244
Representing:					
Proposed final dividend				2,671,213	2,671,213
Others				5,153,132	6,211,031
				7,824,345	8,882,244
Balance at 1 January 2020	**523,553**	**529,397**	**4,949**	**7,824,345**	**8,882,244**
Profit for the year	–	–	–	**8,596,416**	**8,596,416**
Placing and subscription of shares	**6,238,448**	–	–	–	**6,238,448**
Equity-settled share-based payment					
– Value of employee services	–	**119,457**	–	–	**119,457**
– Dividends received	**4,935**	–	–	–	**4,935**
2019 final dividend paid	–	–	–	**(2,766,179)**	**(2,766,179)**
2020 interim dividend paid	–	–	–	**(2,192,100)**	**(2,192,100)**
Balance at 31 December 2020	**6,766,936**	**648,854**	**4,949**	**11,462,482**	**18,883,221**
Representing:					
Proposed final dividend				**3,259,104**	**3,259,104**
Others				**8,203,378**	**15,624,117**
				11,462,482	**18,883,221**

Notes:

(i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(ii) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 22(b)).

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shimao Property Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 184, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment of goodwill

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 2.7 "Summary of significant accounting policies – Investment property" and note 8 "Investment properties" to the consolidated financial statements. The Group's investment properties were carried at RMB56,063 million as at 31 December 2019 and a revaluation gain of RMB2,335 million was recorded in the consolidated statement of comprehensive income for the year ended 31 December 2019, which represented 11.89% of total assets as at 31 December 2019 and 8.05% of profit before income tax for the year ended 31 December 2019 respectively. We focused on this area because the investment property balance and the revaluation gain during the year based on the valuation of the investment properties are significant to the financial statements and the valuation of the investment properties, which was performed by independent and professionally qualified valuers ("the Valuers"), was highly dependent on the estimates on key assumptions, including market prices and estimated costs to be incurred.	We assessed the competence, independence and integrity of the Valuers. We assessed whether the valuation methodology used is acceptable with the assistance of our internal valuation experts. We tested the inputs used in the valuation, on a sample basis, to available supporting evidence including rental contracts, available third-party reports and market data of comparable properties. We also checked the mathematical accuracy of the underlying calculations in the valuation model. We challenged management's estimates on key assumptions adopted in the valuation by comparing market prices to the recent comparable transactions and comparing estimated costs to be incurred to the project budgets. We also evaluated past actual to budget variance to assess the reliability of the project budgets. In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in significant change to the valuation of the investment properties. Based on the work conducted, we found that the methodology applied by management was acceptable and the estimates on key assumptions adopted were supported by the evidence we gathered.

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill	
Refer to note 2.8 "Summary of significant accounting policies – Intangible assets – goodwill" and note 9 "Intangible assets" to the consolidated financial statements. As at 31 December 2019, goodwill in relation to Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a subsidiary listed in PRC stock market amounted to RMB1,710 million, representing 85.09% of the goodwill and 1.47% of net assets of the Group. Management is required to assess goodwill impairment on an annual basis. In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2019, management was required to assess if any impairment provision was needed based on discount future cash flow calculations. We focused on this area because the preparation of the discounted cash flow projection involved estimates on key assumptions about Shanghai Shimao's gross margin excluding land appreciation tax, long term growth rate of revenue and discount rate.	We assessed the key assumptions used in the cash flow forecasts (such as gross margin excluding land appreciation tax and long term growth rate of revenue) by comparing approved budget, historical trend, available market data and industry outlook. We assessed the discount rate used in the discounted cash flow projection with the assistance from our internal valuation experts. We tested the mathematical accuracy of the discounted cash flow projection and compared cash flow forecasts to the latest approved management plan. We also compared the current year's actual performance with the prior year's management plan to assess the reliability of the management plan. In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in goodwill being impaired. Based upon the above procedures, we found that management's estimates on key assumptions were supported by the evidence we gathered.

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 the 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 are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(CONTINUED)*

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 Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**15,922,942**	14,577,637
Right-of-use assets	7	**8,217,754**	–
Investment properties	8	**56,062,747**	36,891,022
Land use rights		**–**	7,965,764
Intangible assets	9	**2,009,346**	1,840,658
Investments accounted for using the equity method	11	**24,167,175**	16,966,160
Amounts due from related parties	12	**1,440,840**	1,589,737
Financial assets at fair value through other comprehensive income	13	**988,995**	981,680
Financial assets at fair value through profit or loss	14	**179,637**	176,727
Deferred income tax assets	15	**3,055,128**	2,806,563
Other non-current assets	16	**5,483,634**	4,952,069
		117,528,198	88,748,017
Current assets			
Inventories	17	**234,467,515**	192,689,769
Trade and other receivables and prepayments	18	**18,732,702**	19,922,877
Prepayment for acquisition of land use rights	19	**13,651,351**	6,321,397
Prepaid income taxes		**4,407,190**	3,715,789
Amounts due from related parties	12	**22,981,077**	16,609,749
Derivative financial instruments	20	**63,004**	12,468
Restricted cash	21	**7,265,779**	5,888,489
Cash and cash equivalents	21	**52,357,251**	43,688,296
		353,925,869	288,848,834
Total assets		**471,454,067**	377,596,851
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	22	**341,575**	341,575
Reserves	23	**65,913,306**	58,892,631
		66,254,881	59,234,206
Non-controlling interests			
Perpetual capital instruments	24	**4,665,000**	5,100,000
Other non-controlling interests		**45,784,305**	40,945,971
		50,449,305	46,045,971
Total equity		**116,704,186**	105,280,177

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	**89,773,388**	77,825,292
Lease liabilities	7	**93,009**	–
Deferred income tax liabilities	15	**7,533,056**	6,596,455
		97,399,453	84,421,747
Current liabilities			
Trade and other payables	26	**79,057,586**	50,585,171
Contract liabilities		**74,652,393**	47,173,444
Income tax payable		**25,216,120**	20,595,196
Borrowings	25	**36,781,947**	31,306,474
Lease liabilities	7	**139,939**	–
Amounts due to related parties	27	**41,502,443**	38,234,642
		257,350,428	187,894,927
Total liabilities		**354,749,881**	272,316,674
Total equity and liabilities		**471,454,067**	377,596,851

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 184 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5	**111,516,981**	85,512,704
Cost of sales	29	**(77,386,427)**	(58,563,625)
Gross profit		**34,130,554**	26,949,079
Fair value gains on investment properties – net	8	**2,335,257**	1,910,251
Other income/other gains – net	28	**351,639**	297,280
Selling and marketing costs	29	**(2,824,871)**	(2,023,438)
Administrative expenses	29	**(4,381,122)**	(3,429,512)
(Provision for)/reversal of impairment losses on financial assets	29	**(70,375)**	25,529
Other operating expenses	29	**(337,635)**	(520,488)
Operating profit		**29,203,447**	23,208,701
Finance income		**923,869**	786,116
Finance costs		**(1,208,789)**	(1,123,143)
Finance costs – net	30	**(284,920)**	(337,027)
Share of results of associated companies and joint ventures accounted for using the equity method		**96,825**	(233,469)
Profit before income tax		**29,015,352**	22,638,205
Income tax expense	33	**(12,635,387)**	(10,327,273)
Profit for the year		**16,379,965**	12,310,932
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation reserves		**–**	137
Item that will not be reclassified to profit or loss			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net of tax		**19,591**	(290,843)
Other comprehensive income		**19,591**	(290,706)
Total comprehensive income for the year		**16,399,556**	12,020,226

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		**10,897,600**	8,834,790
Non-controlling interests		**5,482,365**	3,476,142
		16,379,965	12,310,932
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**10,911,548**	8,663,562
Non-controlling interests		**5,488,008**	3,356,664
		16,399,556	12,020,226
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	34	**331.1**	264.7
– Diluted (RMB cents)	34	**330.6**	264.1

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Attributable to the equity holders of the Company				
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2019		341,575	58,892,631	5,100,000	40,945,971	105,280,177
Comprehensive income						
Profit for the year		–	10,897,600	284,982	5,197,383	16,379,965
Other comprehensive income for the year						
Items that will not be reclassified to profit or loss						
Fair value gains on financial assets at fair value through other comprehensive income, net of tax		–	13,948	–	5,643	19,591
Total comprehensive income for the year		–	10,911,548	284,982	5,203,026	16,399,556
Acquisition of subsidiaries	40(a), 40(b)	–	–	–	2,321,257	2,321,257
Capital contribution from non-controlling interests	40(e(i))	–	–	–	4,840,075	4,840,075
Changes in ownership interests in subsidiaries without change of control	40(e(ii))	–	(205,735)	–	(5,563,569)	(5,769,304)
Equity-settled share-based payment						
– Value of employee services	23	–	125,171	–	–	125,171
– Dividends received	23	–	10,674	–	–	10,674
Perpetual capital instruments issued	24	–	–	4,265,000	–	4,265,000
Perpetual capital instruments redeemed		–	–	(4,700,000)	–	(4,700,000)
Perpetual capital instruments dividends		–	–	(284,982)	–	(284,982)
Dividends and distributions	23,35	–	(3,820,983)	–	(1,962,455)	(5,783,438)
Total transactions with owners		–	(3,890,873)	(719,982)	(364,692)	(4,975,547)
Balance at 31 December 2019		341,575	65,913,306	4,665,000	45,784,305	116,704,186

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

	Note	Attributable to the equity holders of the Company				
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018		348,864	57,285,819	4,200,000	34,912,114	96,746,797
Adjustment on adoption of HKFRS 9, net of tax		–	(54,728)	–	–	(54,728)
Adjustment on adoption of HKFRS 15, net of tax		–	109,820	–	22,348	132,168
Restated total equity at 1 January 2018		348,864	57,340,911	4,200,000	34,934,462	96,824,237
Comprehensive income						
Profit for the year		–	8,834,790	262,247	3,213,895	12,310,932
Other comprehensive income for the year						
Items that may be reclassified to profit or loss						
Translation reserves		–	137	–	–	137
Items that will not be reclassified to profit or loss						
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	(171,365)	–	(119,478)	(290,843)
Total comprehensive income for the year		–	8,663,562	262,247	3,094,417	12,020,226
Acquisition of subsidiaries		–	–	–	807,615	807,615
Capital contribution from non-controlling interests		–	–	–	6,228,072	6,228,072
Changes in ownership interests in subsidiaries without change of control		–	(2,448,538)	–	(3,863,261)	(6,311,799)
Disposal and deemed disposal of subsidiaries		–	–	–	(43,094)	(43,094)
Equity-settled share-based payment						
– Value of employee services	23	–	116,075	–	–	116,075
– Purchase of shares	23	–	(97,714)	–	–	(97,714)
– Dividends received	23	–	12,539	–	–	12,539
Perpetual capital instruments issued	24	–	–	1,700,000	–	1,700,000
Perpetual capital instruments redeemed	24	–	–	(800,000)	–	(800,000)
Perpetual capital instruments dividends		–	–	(262,247)	–	(262,247)
Buy-back of shares						
– Purchase of shares	23	–	(1,549,371)	–	–	(1,549,371)
– Dividends received	23	–	9,069	–	–	9,069
– Cancellation of shares	22,23	(7,289)	7,289	–	–	–
Dividends and distributions	23,35	–	(3,161,191)	–	(212,240)	(3,373,431)
Total transactions with owners		(7,289)	(7,111,842)	637,753	2,917,092	(3,564,286)
Balance at 31 December 2018		341,575	58,892,631	5,100,000	40,945,971	105,280,177

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flow from operating activities			
Net cash generated from operations	36	44,849,846	14,497,212
Interest received	30	923,869	786,116
Interest paid		(8,728,637)	(7,031,504)
PRC income tax paid		(7,565,184)	(6,041,922)
Net cash generated from operating activities		29,479,894	2,209,902
Cash flow from investing activities			
Additions of property and equipment and investment properties		(1,557,552)	(3,108,800)
Disposal of property and equipment		5,450	19,389
Disposal of investment properties		–	47,000
Additions of land use rights		(36,139)	(170,346)
Acquisition of derivative financial instruments	20	(16,333)	–
Settlement of derivative financial instruments	20	6,085	–
(Increase)/decrease in prepayments for acquisition of equity interests	16	(189,905)	305,985
Net cash outflow on acquisition of subsidiaries	40(a), 40(b)	(1,626,725)	(4,840)
Disposal and deemed disposal of subsidiaries	40(c), 40(d)	142,757	143,923
Capital injections to associated companies	11(a)	(2,043,873)	(18,921)
Capital injections to joint ventures	11(b)	(7,112,290)	(2,378,769)
Disposal of shares of a joint venture	11(b)	–	27,750
Dividends received from associated companies and joint ventures	11(a), 11(b)	999,000	73,640
Advances to joint ventures and associated companies		(4,733,463)	(692,332)
Decrease/(Increase) of financial assets at fair value through other comprehensive income	3(e)	16,559	(300,931)
Increase of financial assets at fair value through profit or loss	3(e)	–	(170,377)
Gain on investment in structured products issued by banks	28	–	19,558
Net cash used in investing activities		(16,146,429)	(6,208,071)
Cash flow from financing activities			
Proceeds from borrowings		54,138,709	73,043,880
Repayments of borrowings and finance lease liabilities		(46,556,688)	(55,047,635)
Purchase of shares		–	(97,714)
Buyback shares		–	(1,549,371)
Capital contribution from non-controlling interests of subsidiaries		4,840,075	6,228,072
Acquisition of additional interests in subsidiaries		(5,769,304)	(4,071,799)
Proceeds from issue of perpetual capital instruments	24	4,265,000	1,700,000
Redemption of perpetual capital instruments	24	(4,700,000)	(800,000)
Interest for the holders of perpetual capital instruments		(284,982)	(262,247)
Dividends paid to the equity holders of the Company		(3,820,983)	(3,161,191)
Dividends paid to non-controlling interests		(1,962,455)	(212,240)
(Decrease)/Increase in amounts due to non-controlling interests	27	(3,699,330)	4,706,536
Dividends received	23	10,674	21,608
Lease payment	7	(158,023)	–
Increase in restricted cash pledged for borrowings		(982,744)	(1,386,888)
Net cash (used in)/generated from financing activities		(4,680,051)	19,111,011
Net increase in cash and cash equivalents		8,653,414	15,112,842
Cash and cash equivalents at beginning of the year		43,688,296	28,537,441
Effect of foreign exchange rate changes		15,541	38,013
Cash and cash equivalents at end of the year	21	52,357,251	43,688,296

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 General information

Shimao Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment and hotel operation in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

These consolidated financial statements are presented in Renminbi, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL") and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) New and amended standards adopted by the Group

The following standards and amendments to standards have been adopted by the Group for the first time for their annual reporting period commencing 1 January 2019.

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

2 Summary of significant accounting policies *(CONTINUED)*

2.1 Basis of preparation (continued)

(i) New and amended standards adopted by the Group (continued)

The Group changed its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019.The other amendments listed above did not have any impact on amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 January 2019.

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 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 5.59%.

(1) 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 – there were no onerous contracts as at 1 January 2019
- 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 Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(2) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	514,292
Less:	
Short-term leases recognised on a straight-line basis as expense	(170,266)
	344,026
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	301,802
Lease liability recognised as at 1 January 2019	
Of which are:	
Current lease liabilities	126,833
Non-current lease liabilities	174,969
	301,802

2 Summary of significant accounting policies *(CONTINUED)*

2.1 Basis of preparation (continued)

(i) New and amended standards adopted by the Group (continued)

(3) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(4) 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 – increase by RMB8,272,193,000
- Prepayments – decrease by RMB4,627,000
- Land use rights – decrease by RMB7,965,764,000
- Lease liabilities (current portion) – increase by RMB126,833,000
- Lease liabilities (non-current portion) – increase by RMB174,969,000

There was no impact on retained earnings on 1 January 2019.

(5) 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.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

2 Summary of significant accounting policies *(CONTINUED)*

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 Summary of significant accounting policies *(CONTINUED)*

2.2 Principles of consolidation and equity accounting (continued)

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

2 Summary of significant accounting policies *(CONTINUED)*

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the management committee that makes strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the 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 the 'finance costs – net', except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in OCI.

2.6 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies *(CONTINUED)*

2.6 Property and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs less their residual values and impairment loss over their estimated useful lives, as follows:

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Building improvements	10 to 20 years
Furniture and equipment	5 to 12 years
Jet plane and motor vehicles	10 to 20 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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/other gains – net" in the income statement.

2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as 'fair value gains/losses on investment properties-net'.

If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If an investment property becomes owner-occupied or commences development with a view to sale, it is reclassified as property and equipment or as properties under development or completed properties held for sale, and the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property and equipment in equity under HKAS 16. If a property commences an operating lease to another party, it is transferred from properties under development or completed properties held for sale to investment property, and any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.8 Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associated companies/joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/joint ventures is included in investments in associated companies/joint ventures. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2 Summary of significant accounting policies *(CONTINUED)*

2.9 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or joint ventures 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.

2.10 Investments and 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 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 equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies *(CONTINUED)*

2.10 Investments and financial assets (continued)

(iii) Measurement (continued)

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 two measurement categories into which the Group classifies its debt instruments:

- Financial assets at FVOCI: 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 income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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 FVPL are recognised 'Other income/other gains – net' in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

Impairment testing of trade and other receivables and amounts due from related parties is described in Note 3(b).

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has 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 Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 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 at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement within 'Other income/other gains – net'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

2 Summary of significant accounting policies *(CONTINUED)*

2.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Completed properties held for sale

Completed properties held for sale 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.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10(ii) for further information about the Group's accounting for trade receivables and Note 2.10(iv) for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 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 share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

2.18 Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

2.19 Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(CONTINUED)*

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 balance sheet date.

2.21 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency and 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 are 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.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated companies and joint ventures 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.

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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies *(CONTINUED)*

2.22 Current and deferred income tax (continued)

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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

2.23 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee service is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

- 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 (for example, the requirement for employees to save).

2 Summary of significant accounting policies *(CONTINUED)*

2.23 Employee benefits (continued)

(iii) Equity-settled share-based payment transactions (continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options 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 the income statement, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. Revenue is recognised as follows:

(i) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- 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 Summary of significant accounting policies *(CONTINUED)*

2.25 Revenue recognition (continued)

(i) Sales of properties (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 customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(ii) Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered.

(iii) Hotel operation income

Hotel operation income which includes rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Rental income

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

(v) Interest income

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

(vi) Commission income

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment and land use rights are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

2.27 Leases

As explained in note 2.1 above, the Group has changed its accounting policy for leases where the Group is the lessee with effect from 1 January 2019. The new policy is described below and the impact of the change is set out in note 2.1.

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 to 60 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2018 and before, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 Summary of significant accounting policies *(CONTINUED)*

2.27 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group 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 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. 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.

2.28 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 and directors.

2.29 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 the income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associated companies and joint ventures to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow interest rate risk 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.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, public share and notes offerings and certain bank borrowings are in other foreign currencies. The major non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong dollar ("HK dollar", or "HK$") and the United States dollar ("US dollar", or "US$").

The Company and all of its subsidiaries' functional currency is RMB, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. For the year ended 31 December 2019, the Group manages its foreign exchange risk by using foreign currency option contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2019, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalization of exchange gains and losses, post-tax profit for the year would have been RMB1,703,500,000 (2018: RMB2,554,544,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

As at 31 December 2019, borrowings with a total carrying amount of RMB47,389,666,000 (2018: RMB46,520,029,000) are denominated in US dollar, borrowings with a total carrying amount of RMB25,220,523,000 (2018: RMB13,207,924,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB1,249,875,000 (2018: RMB1,206,796,000) are denominated in JPY yen.

(ii) Price risk

The Group is exposed to equity securities price risk from the Group's financial assets at FVOCI which are publicly traded. The performance of the listed equity securities of the Group is closely monitored.

(iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 25. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2019, the Group converted no borrowings from fixed rate to floating rate through interest rate swap (2018: nil).

The Group analyses its interest rate exposure taking into consideration of refinancing, and renewal of existing position. Based on the above consideration, the Group calculates the impact on profit and loss of a defined interest rate change.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB40,047,000 (2018: RMB27,810,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2019. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB311,785,000 (2018: RMB268,309,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2019.

3 Financial risk management *(CONTINUED)*

(b) Credit risk

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and amounts due from related parties from initial recognition. To measure the expected credit losses, trade and other receivables and amounts due from related parties have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade and other receivables and amounts due from related parties.

31 December 2019	**Within 6 months RMB'000**	**7 months to 12 months RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**
Gross carrying amount				
– trade and other receivables	**13,282,157**	**4,378,280**	**1,383,015**	**19,043,452**
Gross carrying amount				
– amounts due from related parties	**22,531,016**	**488,680**	**1,460,559**	**24,480,255**
Expected loss rate	**0.29%**	**2.26%**	**5.58%**	**0.86%**
Loss allowance	**100,470**	**109,925**	**158,693**	**369,088**

31 December 2018	Within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Gross carrying amount				
– trade and other receivables	16,772,274	2,908,474	497,327	20,178,075
Gross carrying amount				
– amounts due from related parties	16,625,995	5,542	1,611,464	18,243,001
Expected loss rate	0.46%	2.38%	3.54%	0.78%
Loss allowance	154,885	69,249	74,579	298,713

The closing loss allowances for trade and other receivables and amounts due from related parties as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Amounts due from related parties RMB'000	**Trade and other receivables** RMB'000	**Total** RMB'000
At 31 December 2018	43,515	255,198	298,713
Increase in loss allowance recognised in profit or loss during the year	14,823	55,552	70,375
Closing loss allowance as at 31 December 2019	**58,338**	**310,750**	**369,088**

Trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

Impairment losses on trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2019.

		As at 31 December	
Counterparty	Rating (Note)	**2019 RMB'000**	2018 RMB'000
Bank A	A	**7,210,630**	6,700,353
Bank B	Baa2	**5,855,641**	3,727,271
Bank C	BBB+	**5,726,794**	6,164,295
Bank D	A	**5,638,361**	4,624,053
Bank E	A	**3,953,504**	3,316,273

Note: The source of credit rating is from Standard and Poor's or Moody's.

The Group has policies in place to ensure that sales of properties are made to buyers with an appropriate financial strength and appropriate percentage of down payment. Meanwhile, the Group has the right to cancel the sales contract in the event that the buyers default in payment, and put the underlying properties back to the market for re-sales. Therefore, the credit risk from sales of properties is limited. Other receivables mainly comprise bidding deposits for land use rights and prepaid tax with limited credit risk.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

Cash flow forecast is performed by management of the Group. Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecast mainly takes into consideration the Group's operational cash flows, construction of investment properties and hotel projects, committed payments for land use rights and contracted development expenditures, the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management *(CONTINUED)*

(c) Liquidity risk (continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Borrowings and interest payments	**39,307,510**	**29,779,713**	**40,395,670**	**20,311,900**	**129,794,793**
Trade and other payables (excluding other taxes payables)	**75,631,392**	**22,824**	**34,684**	**38,770**	**75,727,670**
Amounts due to related parties	**41,502,443**	**–**	**–**	**–**	**41,502,443**
	156,441,345	**29,802,537**	**40,430,354**	**20,350,670**	**247,024,906**
As at 31 December 2018					
Borrowings and interest payments	34,929,938	22,101,107	49,127,646	17,932,296	124,090,987
Trade and other payables (excluding other taxes payables)	46,744,838	47,076	49,220	63,895	46,905,029
Amounts due to related parties	38,234,642	–	–	–	38,234,642
	119,909,418	22,148,183	49,176,866	17,996,191	209,230,658

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2019 and 2018 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2019 and 2018 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2019 and 2018.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets/subsidiaries to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less restricted cash and cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet less perpetual capital instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

3 Financial risk management *(CONTINUED)*

(d) Capital risk management (continued)

The net gearing ratios at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Note 25)	**126,555,335**	109,131,766
Less: Cash and cash equivalents (Note 21)	**(52,357,251)**	(43,688,296)
Restricted cash (Note 21)	**(7,265,779)**	(5,888,489)
Net debt	**66,932,305**	59,554,981
Total equity excluding perpetual capital instruments	**112,039,186**	100,180,177
Net gearing ratio	**59.7%**	59.4%

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019. See Note 8 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2019	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Derivative financial instruments	**–**	**–**	**63,004**	**63,004**
Financial assets at FVOCI				
– listed equity securities	**608,202**	**–**	**–**	**608,202**
– investment in structured products issued by other financial institution and unlisted entity	**–**	**–**	**380,793**	**380,793**
Financial assets at FVPL	**–**	**–**	**179,637**	**179,637**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018. See Note 8 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	–	12,468	12,468
Financial assets at FVOCI				
– listed equity securities	622,068	–	–	622,068
– investment in structured products issued by other financial institution and unlisted entity	–	–	359,612	359,612
Financial assets at FVPL	–	–	176,727	176,727

3 Financial risk management *(CONTINUED)*

(e) Fair value estimation (continued)

Derivative financial instruments included in Level 3 as at 31 December 2019 are two currency option contracts with the Morgan Stanley & Co International PLC ("Morgan Stanley") and one currency option contract with The Hongkong and Shanghai Banking Corporation Limited, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Derivative financial instruments included in Level 3 as at 31 December 2018 are three currency option contracts with the Morgan Stanley, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Financial assets at FVOCI included in Level 1 as at 31 December 2019 and 2018 are the equity securities traded in Shanghai Stock Exchange, Shenzhen Stock Exchange and NASDAQ, the fair value of which is based on quoted market prices at the balance sheet date.

Financial assets at FVOCI as at 31 December 2019 and 2018 included in Level 3 are the investment in structured products entered into with financial institutions and unlisted entity, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVPL as at 31 December 2019 and 2018 included in Level 3 is the investment in unlisted entity recognised as a debt investment with cash flows not solely payments of principal and interest, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVOCI at fair value

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	**981,680**	1,068,775
Additions	**181,441**	1,972,931
Disposals	**(198,000)**	(1,672,000)
Fair value gains/(losses) recognised in OCI	**23,874**	(388,026)
Closing balances of assets	**988,995**	981,680
Changes in unrealised gains/(losses), under 'Other comprehensive income' (Note 13(b))	**23,874**	(388,026)

Financial assets at FVPL at fair value

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	**176,727**	–
Additions	**–**	170,377
Fair value gains recognised in profit or loss	**2,910**	6,350
Closing balances of assets	**179,637**	176,727
Changes in unrealised gains, under 'Other income/other gains – net' (Note 14(b))	**2,910**	6,350

3 Financial risk management *(CONTINUED)*

(e) Fair value estimation (continued)

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Opening balances of assets	**12,468**	1,190
Acquisition of currency options and forwards	**16,333**	–
Gains recognised in the income statement	**40,288**	11,278
Settlements	**(6,085)**	–
Closing balances of assets	**63,004**	12,468
Changes in unrealised gains, under 'Other income/other gains – net' (Note 28)	**40,288**	11,278

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred income tax assets

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax 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 differences will impact the income tax and deferred tax provisions 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 it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the land appreciation tax based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and deferred income tax provisions in the periods in which such tax is finalised with local tax authorities.

4 Critical accounting estimates and judgements *(CONTINUED)*

4.1 Critical accounting estimates and assumptions (continued)

(c) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. For a listed cash-generating unit ("CGU"), the fair value less cost to sell is determined by the value in use. These valuations and calculations require the use of estimates.

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 8.

(e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Impairment of trade and other receivables and amount due from related parties

The Group's management determines the provision for impairment of trade and other receivables and amount due from related parties based on the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables and amount due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

(g) Fair value of derivatives financial instruments

The Group's derivative financial instruments are currency option contracts entered into with Morgan Stanley, the fair value of which are determined using valuation models for which not all inputs are market observable prices or rates.

(h) Judgements and estimates in revenue recognition for property development activities

The Group develops and sells residential and commercial properties in different areas. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected. The Group seldom provides long credit or payment terms to its property buyer.

4 Critical accounting estimates and judgements *(CONTINUED)*

4.2 Critical judgements in applying the Group's accounting policy

(a) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement.

Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

5 Segment information

The CODM has been identified as the management committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit before tax. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

(a) Revenue

Turnover of the Group consists of the following revenue recognised during the year:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Sales of properties	**105,291,317**	80,906,598
Hotel operation income	**2,097,030**	1,908,157
Commercial properties operation income	**1,427,986**	1,090,540
Property management income, and others	**2,700,648**	1,607,409
	111,516,981	85,512,704

5 Segment information *(CONTINUED)*

(b) Segment information

Year ended 31 December 2019

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
Revenue					
– Sales of properties	19,629,801	85,661,516	–	–	105,291,317
– Recognised at a point in time	19,287,510	84,773,157	–	–	104,060,667
– Recognised over time	342,291	888,359	–	–	1,230,650
– Hotel operation income	263,056	–	1,833,974	–	2,097,030
– Commercial properties operation income	983,781	444,205	–	–	1,427,986
– Property management income, and others	204,035	2,496,613	–	–	2,700,648
Total revenue	21,080,673	88,602,334	1,833,974	–	111,516,981
Operating profit/(loss)	7,336,493	22,245,929	199,940	(578,915)	29,203,447
Finance income	202,951	674,674	1,101	45,143	923,869
Finance costs	(434,542)	(84,496)	(18,360)	(671,391)	(1,208,789)
Share of results of associated companies and joint ventures accounted for using the equity method	148,541	(51,716)	–	–	96,825
Profit/(loss) before income tax	7,253,443	22,784,391	182,681	(1,205,163)	29,015,352
Income tax expense					(12,635,387)
Profit for the year					16,379,965
Other segment items are as follows:					
Capital and property development expenditure	26,551,212	113,004,870	1,788,795	–	141,344,877
Fair value gains on investment properties	1,715,119	620,138	–	–	2,335,257
Fair value gains on derivative financial instruments	–	–	–	40,288	40,288
Depreciation	84,186	161,510	431,175	56,080	732,951
Amortisation of right-of-use assets	118,587	30,094	73,057	–	221,738
Provision for impairment on financial assets	63,534	5,843	998	–	70,375

* The Group owns an effective equity interest of 59.74% in Shanghai Shimao as at 31 December 2019
** Unallocated mainly represent corporate level activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2019 are as follows:

	Property development and investment			
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	Total RMB'000
Investments accounted for using the equity method	1,109,016	23,058,159	–	24,167,175
Intangible assets	1,709,730	168,688	130,928	2,009,346
Other segment assets	122,906,077	289,287,380	26,299,568	438,493,025
Total segment assets	125,724,823	312,514,227	26,430,496	464,669,546
Deferred income tax assets				3,055,128
Financial assets at FVOCI				988,995
Financial assets at FVPL				179,637
Derivative financial instruments				63,004
Other assets				2,497,757
Total assets				471,454,067
Borrowings	21,949,203	43,535,975	29,980	65,515,158
Other segment liabilities	52,438,277	141,111,002	25,734,359	219,283,638
Total segment liabilities	74,387,480	184,646,977	25,764,339	284,798,796
Corporate borrowings				61,428,177
Deferred income tax liabilities				7,533,056
Other liabilities				989,852
Total liabilities				354,749,881

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

Year ended 31 December 2018

	Property development and investment				
	Shanghai Shimao* RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
Revenue					
– Sales of properties	18,809,411	62,097,187	–	–	80,906,598
– Recognised at a point in time	18,445,092	61,279,368	–	–	79,724,460
– Recognised over time	364,319	817,819	–	–	1,182,138
– Hotel operation income	260,845	–	1,647,312	–	1,908,157
– Commercial properties operation income	924,875	165,665	–	–	1,090,540
– Property management income, and others	206,045	1,401,364	–	–	1,607,409
Total revenue	20,201,176	63,664,216	1,647,312	–	85,512,704
Operating profit/(loss)	8,485,306	15,386,587	192,810	(856,002)	23,208,701
Finance income	125,000	585,849	860	74,407	786,116
Finance costs	(333,177)	(311,809)	(28,541)	(449,616)	(1,123,143)
Share of results of associated companies and joint ventures accounted for using the equity method	58,037	(291,506)	–	–	(233,469)
Profit/(loss) before income tax	8,335,166	15,369,121	165,129	(1,231,211)	22,638,205
Income tax expense					(10,327,273)
Profit for the year					12,310,932
Other segment items are as follows:					
Capital and property development expenditure	22,686,684	79,382,699	1,760,741	–	103,830,124
Fair value gains on investment properties	1,138,535	771,716	–	–	1,910,251
Fair value gains on derivative financial instruments	–	–	–	11,278	11,278
Depreciation	91,130	74,785	385,459	34,141	585,515
Amortisation of land use rights	10,032	22,228	46,108	–	78,368
Provision for/(reversal of) impairment on financial assets	14,910	(41,292)	853	–	(25,529)

* The Group owns an effective equity interest of 58.92% in Shanghai Shimao as at 31 December 2018

** Unallocated mainly represent corporate level activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

5 Segment information *(CONTINUED)*

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2018 are as follows:

	Property development and investment			
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	Total RMB'000
Investments accounted for using the equity method	956,471	16,009,689	–	16,966,160
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	103,900,502	217,203,058	22,432,350	343,535,910
Total segment assets	106,566,703	233,212,747	22,563,278	362,342,728
Deferred income tax assets				2,806,563
Financial assets at FVOCI				981,680
Financial assets at FVPL				176,727
Derivative financial instruments				12,468
Other assets				11,276,685
Total assets				377,596,851
Borrowings	19,719,549	41,347,363	25,000	61,091,912
Other segment liabilities	39,805,160	93,670,258	22,278,904	155,754,322
Total segment liabilities	59,524,709	135,017,621	22,303,904	216,846,234
Corporate borrowings				48,039,854
Deferred income tax liabilities				6,596,455
Other liabilities				834,131
Total liabilities				272,316,674

Total segment assets consist primarily of property and equipment, investment properties, land use rights, right-of-use assets, other non-current assets, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets, financial assets at FVOCI, financial assets at FVPL and derivative financial instruments.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, corporate borrowings and deferred income tax liabilities.

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Related to development and sales of properties contracts		
Contract liabilities	**74,652,393**	47,173,444

Revenue from sales of properties totalled approximately RMB28 billion was recognised in current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB44 billion as of 31 December 2019 will be recognised as revenue from sales of properties during the next reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

6 Property and equipment

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2019	2,342,936	13,895,382	630,762	556,881	1,009,252	18,435,213
Additions	1,776,214	56,595	170,124	5,676	–	2,008,609
Acquisition of subsidiaries	–	133,928	109,721	1,499	41,023	286,171
Disposal of subsidiaries	–	–	(283)	–	–	(283)
Disposals	–	(49,118)	(15,658)	(3,073)	–	(67,849)
Transfer to investment properties	–	–	–	–	(9,005)	(9,005)
Transfer to properties under development	(174,849)	–	–	–	–	(174,849)
Transfer upon completion	(453,097)	325,146	–	43,316	84,635	–
At 31 December 2019	3,491,204	14,361,933	894,666	604,299	1,125,905	20,478,007
Accumulated depreciation						
At 1 January 2019	–	3,103,795	352,047	175,477	226,257	3,857,576
Acquisition of subsidiaries	–	20,280	2,610	955	5,160	29,005
Charge for the year	–	471,733	129,476	92,077	39,665	732,951
Disposal of subsidiaries	–	–	(31)	–	–	(31)
Transfer to investment properties	–	–	–	–	(2,037)	(2,037)
Disposals	–	(44,805)	(14,955)	(2,639)	–	(62,399)
At 31 December 2019	–	3,551,003	469,147	265,870	269,045	4,555,065
Net book value						
At 31 December 2019	3,491,204	10,810,930	425,519	338,429	856,860	15,922,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 Property and equipment *(CONTINUED)*

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2018	2,046,271	12,497,440	525,194	733,988	1,256,428	17,059,321
Additions	1,843,246	94,150	194,320	4,313	33,123	2,169,152
Acquisition of subsidiaries	–	–	1,671	–	–	1,671
Disposal of subsidiaries	(290,469)	–	(76,171)	(10,990)	–	(377,630)
Disposals	–	(45,206)	(14,252)	(170,430)	(2,411)	(232,299)
Transfer to properties under development and completed properties held for sale	–	–	–	–	(277,888)	(277,888)
Transfer from properties under development and completed properties held for sale	92,886	–	–	–	–	92,886
Transfer upon completion	(1,348,998)	1,348,998	–	–	–	–
At 31 December 2018	2,342,936	13,895,382	630,762	556,881	1,009,252	18,435,213
Accumulated depreciation						
At 1 January 2018	–	2,763,285	272,525	292,960	216,637	3,545,407
Acquisition of subsidiaries	–	–	178	–	–	178
Charge for the year	–	381,407	101,383	45,835	56,890	585,515
Disposal of subsidiaries	–	–	(9,400)	(5,817)	–	(15,217)
Transfer to properties under development and completed properties held for sale	–	–	–	–	(45,397)	(45,397)
Disposals	–	(40,897)	(12,639)	(157,501)	(1,873)	(212,910)
At 31 December 2018	–	3,103,795	352,047	175,477	226,257	3,857,576
Net book value						
At 31 December 2018	2,342,936	10,791,587	278,715	381,404	782,995	14,577,637

Depreciation charge of RMB732,951,000 for the year ended 31 December 2019 (2018: RMB585,515,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2019, assets under construction and buildings of the Group with a total carrying amount of RMB2,011,001,000 (2018: RMB923,568,000) were pledged as collateral for certain borrowings of the Group (Note 25).

For the year ended 31 December 2019, the Group has capitalised borrowing costs amounting to RMB78,202,000 (2018: RMB93,623,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 5.58% (2018: 5.49%).

7 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Land use rights and leasehold land	**7,989,282**	7,965,764
Buildings	**195,716**	302,732
Equipment	**123**	343
Vehicles	**32,633**	3,354
	8,217,754	8,272,193
Lease liabilities		
Current	**139,939**	126,833
Non-current	**93,009**	174,969
	232,948	301,802

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year end 31 December	
	2019 RMB'000	2018 RMB'000
Amortisation charge of right-of-use assets		
Land use rights and leasehold land	**(76,645)**	–
Buildings	**(130,377)**	–
Equipment	**(123)**	–
Vehicles	**(14,593)**	–
	(221,738)	–
Interest expense (included in finance cost) (Note 30)	**(17,406)**	–

The total cash outflow for leases in 2019 was RMB158,023,000. As at 31 December 2019, land use rights of RMB1,351,922,000 (2018: RMB1,748,067,000) were pledged as collateral for the Group's borrowings (Note 25).

8 Investment properties

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Opening balance at 1 January	**36,891,022**	34,036,147
Additions – Transfer from properties under development	**16,567,166**	–
Additions – Construction cost and others	**262,334**	991,624
Additions – Transfer from property and equipment	**6,968**	–
Disposals	–	(47,000)
Fair value gains – net	**2,335,257**	1,910,251
Closing balance at 31 December	**56,062,747**	36,891,022

As at 31 December 2019, investment properties under construction of approximately RMB1,301,255,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2018: approximately RMB1,298,072,000). These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Commercial properties operation income	**1,427,986**	1,090,540
Direct operating expenses from properties that generated rental income	**21,339**	22,512
Direct operating expenses from properties that did not generate rental income	**4,096**	719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

8 Investment properties *(CONTINUED)*

(b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2019 and 2018.

Description	**Fair value measurements at 31 December 2019 using**		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	**54,761,492**

Description	Fair value measurements at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	35,592,950

There were no transfers between Levels 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2019 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	**Investment properties under development RMB'000**	**Total RMB'000**
Opening balance	**30,063,950**	**5,529,000**	**35,592,950**
Additions	–	**259,151**	**259,151**
Additions-transfer from properties under development	–	**16,567,166**	**16,567,166**
Transfer from under development investment properties	**3,584,394**	**(3,584,394)**	–
Additions-transfer from property and equipment	**6,968**	–	**6,968**
Net gains from fair value adjustment	**1,449,180**	**886,077**	**2,335,257**
Closing balance	**35,104,492**	**19,657,000**	**54,761,492**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

8 Investment properties *(CONTINUED)*

(b) Valuation (continued)

Fair value measurements using significant unobservable inputs (Level 3) (continued)

	Year ended 31 December 2018 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	16,192,000	15,426,000	31,618,000
Additions	–	872,323	872,323
Additions-transfer from investment properties at cost	–	1,239,376	1,239,376
Transfer from under development investment properties	12,339,586	(12,339,586)	–
Disposals	(47,000)	–	(47,000)
Net gains from fair value adjustment	1,579,364	330,887	1,910,251
Closing balance	30,063,950	5,529,000	35,592,950

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by independent and professionally qualified valuers, Vigers Appraisal & Consulting Limited ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors (ED) and the audit committee (AC).

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

For completed investment properties, the fair values were determined using term and reversionary method on the basis of capitalisation of net rental income derived from the existing tenancies and the reversionary value by reference to recent comparable sales transactions or capitalisation of comparable market rents in the relevant property market. The significant unobservable inputs adopted in the valuation included market prices, market rents, term and reversionary yields.

For investment properties under development, the valuation was determined using residual method by making reference to market capitalisation rates and recent comparable sales transactions on the assumption that the property had already been completed in accordance with latest development scheme at the valuation date by deducting the estimated costs to be incurred to complete the project and the developer's estimated profit margin.

There were no changes to the valuation techniques during the year.

8 Investment properties *(CONTINUED)*

(b) Valuation (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	35,104,492	Term and reversionary method	Market prices	RMB4,591-RMB113,630 per square meter (RMB30,902 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB7-RMB368 per square meter (RMB118 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.50% (5.80%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-8.00% (5.84%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	19,657,000	Discounted cash flows with estimated costs to complete	Market prices	RMB10,820-RMB39,000 per square meter (RMB22,503 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB545-RMB12,493 per square meter (RMB5,779 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75%	The higher the capitalisation rate, the lower the fair value

Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	30,063,950	Term and reversionary method	Market prices	RMB6,500-RMB92,229 per square meter (RMB31,656 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB5-RMB361 per square meter (RMB104 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.63% (5.93%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-7.63% (5.93%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	5,529,000	Discounted cash flows with estimated costs to complete	Market prices	RMB19,544-RMB39,260 per square meter (RMB29,140 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB619-RMB12,423 per square meter (RMB5,693 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.35%-4.75% (4.59%)	The higher the capitalisation rate, the lower the fair value

8 Investment properties *(CONTINUED)*

(b) Valuation (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (continued)

There are inter-relationships between unobservable inputs. For investment property under development, increases in construction costs that enhance the property's features may result in an increase of future market prices. An increase in future market prices may be linked with higher costs. There is no indication that any slight increases/(decreases) in market prices in isolation would result in a significantly higher/(lower) fair value of the investment properties.

(c) Pledge

As at 31 December 2019, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB30,571,000,000 (2018: RMB15,257,000,000) were pledged as collateral for the Group's borrowings (Note 25).

(d) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease rental receivable under non cancellable operating leases of investment properties is as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Within one year	**1,263,916**	882,195
Later than one year but no later than 5 years	**2,598,443**	2,790,489
Later than 5 years	**1,117,829**	1,254,044
	4,980,188	4,926,728

9 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Opening balance	**1,840,658**	1,840,658
Addition from acquisition of subsidiaries (Note 40(b))	**168,688**	–
Ending balance	**2,009,346**	1,840,658

9 Intangible assets *(CONTINUED)*

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Property development and investment		
– Shanghai Shimao	**1,709,730**	1,709,730
Property management service	**168,688**	–
Hotel operation	**130,928**	130,928
	2,009,346	1,840,658

The recoverable amounts of CGUs are determined based on the higher of fair values (less cost to sale) and value-in-use calculation.

In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2019 and 2018, goodwill of CGU – property development and investment – Shanghai Shimao was tested for impairment using the higher of value-in-use by discounted cash flow projection and the fair value (equivalent to the market value) less costs to sell. The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated long term growth rate of revenue.

As at 31 December 2019 and 2018, the fair values of property service and hotel operation are valued by independent professionally qualified valuers who held a recognised relevant professional qualification and have recent experience in the locations and segments of the property service and hotels valued.

For property development and investment – Shanghai Shimao, the key assumptions used in the value-in-use calculation in 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
Gross margin excluding land appreciation tax	**37.4%**	37.1%
Long term growth rate of revenue	**3.0%**	3.0%
Pre-tax discount rate	**17.4%**	17.4%

These assumptions have been used for the analysis of Shanghai Shimao CGU within the operating segment.

Gross margin is the average margin as a percentage of revenue over the eight-year forecast period. It is based on the current sales margin.

The long term growth rate of revenue used is consistent with the industry outlook. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

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For the year ended 31 December 2019

10 Financial instruments by category

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables and prepayments	**18,732,702**	19,922,877
– Amounts due from related parties	**24,421,917**	18,199,486
– Restricted cash	**7,265,779**	5,888,489
– Cash and cash equivalents	**52,357,251**	43,688,296
Financial assets at FVOCI	**988,995**	981,680
Financial assets at FVPL	**179,637**	176,727
Derivative financial instruments	**63,004**	12,468
Total	**104,009,285**	88,870,023

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial liabilities		
Other financial liabilities at amortised cost:		
– Borrowings	**126,555,335**	109,131,766
– Trade and other payables (excluding other taxes payable)	**76,063,840**	46,905,029
– Amounts due to related parties	**41,502,443**	38,234,642
Total	**244,121,618**	194,271,437

The Group's exposure to various risks, associated with the financial instruments is discussed in Note 3.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

11 Investments accounted for using the equity method

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	**3,848,564**	1,594,487
Joint ventures (Note (b))	**20,318,611**	15,371,673
	24,167,175	16,966,160

(a) Interests in associated companies

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Share of net assets:		
Opening balance	**1,594,487**	1,345,018
Capital injections (Note)	**2,043,873**	18,921
Transfer from a subsidiary	**–**	3,529
Dividends received	**(65,000)**	–
Share of results	**275,204**	227,019
Ending balance	**3,848,564**	1,594,487

Note:

Capital injections include investment in new associates and additional injections in existing associates.

For the year ended 31 December 2019, the Group invested in six new associates with a total amount of RMB1,017,880,000. For the year ended 31 December 2019, the Group made additional capital injections into four existing associates with a total amount of RMB1,025,993,000. Details of the principal associated companies of the Group as at 31 December 2019 are set out in Note 37. There was no individually material associated company of the Group as at 31 December 2019 and 2018. The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB1,933,000,000 as at 31 December 2019 (2018: RMB474,804,000) (Note 38).

11 Investments accounted for using the equity method *(CONTINUED)*

(b) Interests in joint ventures

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Share of net assets:		
Opening balance	**15,371,673**	13,585,844
Capital injections (Note)	**7,112,290**	2,378,769
Transfer from subsidiaries (Note 40(c), 40(d))	**165,000**	1,457,465
Transfer to subsidiaries (Note 40(a))	**(1,217,973)**	(1,488,527)
Dividends received	**(934,000)**	(73,640)
Disposal	**–**	(27,750)
Share of results	**(178,379)**	(460,488)
Ending balance	**20,318,611**	15,371,673

Notes:

Capital injections include investment in new joint ventures and additional injections in existing joint ventures.

In 2019, the Group set up nine joint ventures with total capital injections of RMB904,480,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group invested in ten new joint ventures with amount of RMB2,522,094,000. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

The Group made additional capital injections into ten existing joint ventures with amount of RMB3,685,716,000. After capital injection, the Group remained joint control in these entities.

Details of the principal joint ventures of the Group as at 31 December 2019 are set out in Note 37.

There was no individually material joint venture of the Group as at 31 December 2019 and 2018.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB7,570,366,000 as at 31 December 2019 (2018: RMB8,481,690,000) (Note 38).

12 Amounts due from related parties

Advances to related parties included in non-current assets are to finance their acquisition of land use rights. The Group's intention is that the advances will only be recalled when the related companies have surplus cash.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Included in non-current assets		
– Joint ventures	**823,088**	987,112
– Associated companies	**637,471**	624,352
	1,460,559	1,611,464
Provision for impairment	**(19,719)**	(21,727)
	1,440,840	1,589,737

Advances to related parties included in current assets are the disbursement to finance their operating activities which will be repaid within one year.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Included in current assets		
– Company with common directors	**65**	160
– Associated companies	**3,630,832**	901,763
– Joint ventures	**19,388,799**	15,729,614
	23,019,696	16,631,537
Provision for impairment	**(38,619)**	(21,788)
	22,981,077	16,609,749

These advances are interest free, unsecured and have no fixed repayment terms. The carrying amounts of amounts due from related companies approximate their fair values.

The loss allowance increased by RMB14,823,000 to RMB58,338,000 for amounts due from related parties during the current reporting period.

Information about the impairment of amounts due from related parties and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

13 Financial assets at fair value through other comprehensive income

(a) Equity investments assets at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Listed securities (Note (i))	**608,202**	622,068
Unlisted securities (Note (ii))	**380,793**	359,612
	988,995	981,680

Notes:

(i) Listed securities represented investment in listed equity securities in the PRC and USA which were stated at market value based on the quoted price.

(ii) Unlisted securities represented investments measured at fair value of which the fair value are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3(e)).

(b) Amounts recognised in other comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gains/(losses) recognised in OCI	**23,874**	(388,026)

14 Financial assets at fair value through profit or loss

(a) Equity investments at FVPL comprise the following individual investments:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Investment in unlisted entity (Note)	**179,637**	176,727

Note:

Investment in unlisted entity represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3(e)).

(b) Amount recognised in profit or loss is set out below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Gain recognised in profit or loss (Note 28)	**2,910**	6,350

15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	**1,952,313**	1,793,818
– to be recovered within 12 months	**1,102,815**	1,012,745
	3,055,128	2,806,563
Deferred income tax liabilities		
– to be recovered after more than 12 months	**6,915,800**	6,053,901
– to be recovered within 12 months	**617,256**	542,554
	7,533,056	6,596,455
Net deferred income tax liabilities	**4,477,928**	3,789,892

The movement on the net deferred income tax account is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	**3,789,892**	3,501,614
Disposal of subsidiaries (Note 40(c))	**998**	9,996
Deemed disposal of subsidiaries	–	18,966
Acquisition of/transfer to subsidiaries (Note 40(a), Note 40(b))	**(155,906)**	(50,162)
Charged to the consolidated income statement (Note 33)	**838,661**	406,661
Credited to OCI	**4,283**	(97,183)
Ending balance	**4,477,928**	3,789,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

15 Deferred income tax *(CONTINUED)*

Movement in deferred income tax assets and liabilities for the year ended 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealized profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2018	1,215,669	244,092	1,063,902	2,523,663
Credited to the consolidated income statement	87,064	8,204	166,432	261,700
Disposal of subsidiaries	(9,996)	–	–	(9,996)
Deemed disposal of subsidiaries	(18,966)	–	–	(18,966)
Acquisition of subsidiaries	50,162	–	–	50,162
At 31 December 2018	1,323,933	252,296	1,230,334	2,806,563
(Charged)/credited to the consolidated income statement	(47,003)	8,525	132,135	93,657
Disposal of subsidiaries	(998)	–	–	(998)
Acquisition of subsidiaries	155,906	–	–	155,906
At 31 December 2019	**1,431,838**	**260,821**	**1,362,469**	**3,055,128**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

15 Deferred income tax *(CONTINUED)*

Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	4,141,732	887,441	916,231	79,873	6,025,277
Charged/(credited) to the consolidated income statement	477,563	180,071	54,227	(43,500)	668,361
Credited to OCI	–	(97,183)	–	–	(97,183)
At 31 December 2018	4,619,295	970,329	970,458	36,373	6,596,455
Charged to the consolidated income statement	583,814	67,656	280,848	–	932,318
Credited to OCI	–	–	–	4,283	4,283
At 31 December 2019	**5,203,109**	**1,037,985**	**1,251,306**	**40,656**	**7,533,056**

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases in accordance with HKAS 12.

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 of RMB71,855,000 (2018: RMB67,958,000) in respect of accumulated losses amounting to RMB287,420,000 (2018: RMB271,833,000) that can be carried forward against future taxable income. Losses amounting to RMB26,381,000, RMB80,878,000, RMB84,299,000, RMB66,077,000 and RMB29,785,000, will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries in the PRC. Such amounts will be reinvested according to the distribution and reinvestment plan of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

16 Other non-current assets

Other non-current assets mainly represent the prepayments for acquisition of land use rights and equity interests.

As at 31 December 2019, the Group has made prepayments of RMB176,173,000 (2018: RMB366,173,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained. As at 31 December 2019, prepayments of RMB13,651,351,000 (2018: RMB6,321,397,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayment for acquisition of land use rights'.

As at 31 December 2019, the Group made prepayments of RMB3,923,509,000 (2018: RMB3,733,604,000) for acquisition of certain equity interests.

17 Inventories

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Inventories comprise:		
Properties under development (Note (a))	**206,833,967**	170,840,408
Completed properties held for sale (Note (b))	**27,633,548**	21,849,361
	234,467,515	192,689,769

Notes:

(a) Properties under development

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	**129,946,039**	108,712,100
Construction costs and capitalised expenditures	**61,675,516**	49,583,581
Interests capitalised	**15,212,412**	12,544,727
	206,833,967	170,840,408

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Land use rights and leasehold land		
Held on leases of:		
Over 50 years	**92,864,299**	77,172,753
Between 10 and 50 years	**37,081,740**	31,539,347
	129,946,039	108,712,100

17 Inventories *(CONTINUED)*

Notes: (continued)

(a) Properties under development (continued)

As at 31 December 2019, leasehold land of RMB7,647,698,000 (2018: RMB6,873,590,000) was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2019, properties under development of approximately RMB27,725,733,000 (2018: RMB33,648,890,000) were pledged as collateral for the Group's borrowings (Note 25).

The capitalisation rate of borrowings was 5.58% for the year ended 31 December 2019 (2018: 5.49%).

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**57,191,380**	46,356,002
Expected to be completed and available for sale within 12 months	**149,642,587**	124,484,406
	206,833,967	170,840,408

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC. Included in completed properties held for sale are land use rights as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	**8,483,645**	6,813,149
Between 10 and 50 years	**2,396,276**	1,544,289
	10,879,921	8,357,438

As at 31 December 2019, completed properties held for sale of RMB1,828,144,000 (2018: RMB1,070,066,000) were pledged as collateral for the Group's borrowings (Note 25).

For the year ended 31 December 2019, the Group recognised impairment losses of RMB134,489,000 (2018: RMB89,885,000) on completed properties held for sale (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

18 Trade and other receivables and prepayments

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables (Note (a))	**5,191,560**	4,241,516
Bidding deposits for land use rights (Note (b))	**4,544,293**	7,981,664
Prepayments for construction costs	**3,752,797**	2,665,199
Loan receivables (Note (c))	**1,429,235**	1,885,048
Prepaid business tax on pre-sale proceeds	**950,873**	528,500
Other receivables	**3,174,694**	2,876,148
	19,043,452	20,178,075
Provision for impairment	**(310,750)**	(255,198)
	18,732,702	19,922,877

Notes:

(a) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 180 days	**4,121,346**	3,777,972
Over 180 days and within 365 days	**329,787**	235,345
Over 365 days	**740,427**	228,199
	5,191,560	4,241,516

As at 31 December 2019, receivables arising from sales of properties were approximately RMB4,773,005,000 (2018: RMB4,109,723,000).

(b) Bidding deposits for land use rights mainly represented deposits the Group placed with various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the deposits will be fully refunded.

(c) As at 31 December 2019, loan receivables of RMB1,429,235,000 (31 December 2018: RMB1,885,048,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2019, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. As at 31 December 2019 a provision of RMB310,750,000 (31 December 2018: RMB255,198,000) was made against the gross amount of trade receivables,other receivables and loan receivables.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.

As at 31 December 2019 and 31 December 2018, trade and other receivables of the Group were mainly denominated in RMB.

19 Prepayment for acquisition of land use rights

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2019.

20 Derivative financial instruments

The movement of derivative financial instruments assets is as follows:

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	**12,468**	1,190
Acquisition of currency options and forwards (Note)	**16,333**	–
Fair value gains – currency options and forwards (Note)	**40,288**	11,278
Settlement of currency forwards (Note)	**(6,085)**	–
Closing balances of assets	**63,004**	12,468

Note:

For the year ended 31 December 2019, the Group has entered into three currency option contracts with an aggregate notional amount of US$300,000,000 and settled three currency forward contracts with an aggregate notional amount of US$75,000,000. For the year ended 31 December 2018, the Group decided not to exercise five currency option contracts. These contracts do not qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value gain of RMB40,288,000 (2018: RMB11,278,000) has been recognised in "Other income/other gains-net" (Note 28).

21 Cash and cash equivalents and restricted cash

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Bank balances and cash		
– denominated in RMB	**58,752,550**	48,725,614
– denominated in US dollar	**684,298**	530,957
– denominated in HK dollar	**186,181**	319,836
– denominated in other foreign currencies	**1**	378
Less: restricted cash	**(7,265,779)**	(5,888,489)
	52,357,251	43,688,296

As at 31 December 2019, the Group's restricted cash comprised approximately RMB1,074,895,000 (2018: RMB680,349,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 38) and approximately RMB6,190,884,000 (2018: RMB5,208,140,000) of deposits pledged as collateral for the Group's borrowings (Note 25).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 31 December 2019 was 0.34% (2018: 0.34%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

22 Share capital

(a) Details of share capital of the Company are as follows:

	Par value	Number of shares	Nominal value of ordinary shares	
				Equivalent to
	HK$	'000	HK$'000	RMB'000
Authorised:				
At 31 December 2019 and 2018	**0.1**	**5,000,000**	**500,000**	
Issued and fully paid:				
At 31 December 2017		3,387,022	338,702	348,864
Cancellation of shares (Note)		(85,529)	(8,553)	(7,289)
At 31 December 2018		3,301,493	330,149	341,575
At 31 December 2019		**3,301,493**	**330,149**	**341,575**

Note:

The Company acquired 85,529,000 of its own shares through purchases on the Hong Kong Stock Exchange from 5 July 2018 till 25 October 2018, among which 85,529,000 shares have been cancelled during the year ended 31 December 2018. The total amount paid to acquire the shares was HK$1,817,500,988, equivalent to RMB1,549,371,295 and has been deducted from retained earnings within shareholders' equity during the year ended 31 December 2018 (Note 23).

(b) Employee Stock Ownership Plan

Pursuant to the employee stock ownership plan ("Employee Stock Ownership Plan") that was approved by Shanghai Shimao's shareholders on 9 May 2017 and will expire at the end of the 60-month period from the date of grant, a total of 2,313,168 ordinary shares of Shanghai Shimao had been bought back from the secondary market at the total cost of RMB11,096,000. The purpose of the Employee Stock Ownership Plan is to provide the participants with an opportunity to hold a personal stake in Shanghai Shimao so as to motivate such participants and to enhance performance and efficiency. In May 2017, options for a total of 2,313,168 ordinary shares of Shanghai Shimao under this plan were granted to Shanghai Shimao's eligible employees with no exercise price or fulfilment of any condition. The exercise of the granted options is subject to a restriction of 12 months from the date of 3 July 2017. As at 31 December 2019, no shares were vested or lapsed.

22 Share capital *(CONTINUED)*

(c) Share Award Scheme

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011). The Board approved the maximum number of shares to be awarded change to 69,319,016 shares (i.e. 2% of issued shares of the Company as at 30 December 2011) on 13 April 2018. On 26 March 2019, the Board approved to change the termination date of the Share Scheme from 30 December 2019 to 30 December 2027.

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Share Scheme and determine the number of awarded shares.

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 31 December 2019, the Trust purchased 36,006,000 ordinary shares from market, totaling HK$523,258,000 (equivalent to RMB468,735,000), of which 39,015,470 shares were granted to eligible employees according to the Share Scheme. Up to 31 December 2019, among the shares granted, 26,788,362 shares were vested, and 3,277,922 shares were lapsed.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

Movements in the number of unvested shares granted during the year are as follows:

	Number of unvested shares granted Year ended 31 December	
	2019	2018
Unvested shares, beginning	**7,378,348**	7,899,586
Granted	**5,683,969**	7,378,348
Vested	**(4,113,131)**	(6,816,666)
Lapsed	**–**	(1,082,920)
Unvested shares, ending	**8,949,186**	7,378,348

The weighted average fair value of the unvested shares granted during the year ended 31 December 2019 is HK$222,826,000, equivalent to RMB199,603,000 (2018: HK$152,068,672, equivalent to RMB133,242,570).

(d) Reconciliation of the number of shares outstanding was as follows:

	As at 31 December	
	2019 '000	2018 '000
Shares issued	**3,301,493**	3,301,493
Treasury shares for Share Scheme	**(9,218)**	(13,331)
Shares outstanding	**3,292,275**	3,288,162

(e) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

23 Reserves

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	(185,787)	31,465	431,495	3,048,338	4,949	(299,137)	55,861,308	58,892,631
Profit for the year	–	–	–	–	–	–	10,897,600	10,897,600
Fair value gains on financial assets at FVOCI, net of tax	–	–	–	–	–	13,948	–	13,948
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	(205,735)	(205,735)
Equity-settled share-based payment	–	–	–	–	–	–	–	
– Value of employee services	–	–	125,171	–	–	–	–	125,171
– Dividends received	–	10,674	–	–	–	–	–	10,674
Profit appropriations	–	–	–	251,232	–	–	(251,232)	–
2018 final dividend paid	–	–	–	–	–	–	(2,031,640)	(2,031,640)
2019 interim dividend paid	–	–	–	–	–	–	(1,789,343)	(1,789,343)
Balance at 31 December 2019	(185,787)	42,139	556,666	3,299,570	4,949	(285,189)	62,480,958	65,913,306
Representing:								
Proposed final dividend							2,671,213	2,671,213
Others							59,809,745	63,242,093
							62,480,958	65,913,306

23 Reserves *(CONTINUED)*

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,594,499	57,285,819
Adjustment on adoption of HKFRS 9, net of tax	–	–	–	–	–	–	–	(54,728)	(54,728)
Adjustment on adoption of HKFRS 15, net of tax	–	–	–	–	–	–	–	109,820	109,820
Balance at 1 January 2018	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,649,591	57,340,911
Profit for the year	–	–	–	–	–	–	–	8,834,790	8,834,790
Translation reserves	–	–	137	–	–	–	–	–	137
Fair value losses on financial assets at FVOCI, net of tax	–	–	–	–	–	–	(171,365)	–	(171,365)
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	–	–	(2,448,538)	(2,448,538)
Equity-settled share-based payment									
– Value of employee services	–	–	–	116,075	–	–	–	–	116,075
– Purchase of shares	–	(97,714)	–	–	–	–	–	–	(97,714)
– Dividends received	–	12,539	–	–	–	–	–	–	12,539
Profit appropriations	–	–	–	–	463,973	–	–	(463,973)	–
Buy-back of shares									
– Purchase of shares	–	–	–	–	–	–	–	(1,549,371)	(1,549,371)
– Dividends received	–	9,069	–	–	–	–	–	–	9,069
– Cancellation of shares	–	7,289	–	–	–	–	–	–	7,289
2017 final dividend paid	–	–	–	–	–	–	–	(1,713,359)	(1,713,359)
2018 interim dividend paid	–	–	–	–	–	–	–	(1,447,832)	(1,447,832)
Balance at 31 December 2018	(185,787)	31,465	–	431,495	3,048,338	4,949	(299,137)	55,861,308	58,892,631
Representing:									
Proposed final dividend								1,971,784	1,971,784
Others								53,889,524	56,920,847
								55,861,308	58,892,631

Note:

Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the reorganisation and the nominal value of the shares of the Company issued in exchange effected prior to the listing of the Company's shares on the Stock Exchange in 2006.

24 Perpetual capital instruments

For the year ended 31 December 2019, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB4,265,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB4,700,000,000 were redeemed.

For the year ended 31 December 2018, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB1,700,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB800,000,000 were redeemed.

All perpetual capital instruments are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at the issuers' discretion, and there is no limit to the number of times of deferral of distribution. The perpetual capital instruments are redeemable. When the issuers elect to declare dividends to their shareholders, they shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

25 Borrowings

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	**9,315,671**	6,963,734
– secured by shares of subsidiary guarantors (Note (ii))	**18,491,894**	9,835,604
– unsecured	**13,843,038**	19,106,984
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	**10,878,780**	10,291,900
– secured by shares (Note (iii))	**500,000**	1,000
– unsecured	**1,040,563**	545,384
Senior notes – secured (Note (iv))	**32,052,154**	25,402,767
Medium-term notes – unsecured (Note (v))	**4,800,000**	3,800,000
Long-term bonds (Note (vi))	**17,677,305**	14,785,557
Domestic corporate bonds (Note (vii))	**5,735,381**	8,686,463
	114,334,786	99,419,393
Less: Portion of long-term bank borrowings due within one year	**(7,206,935)**	(5,431,656)
Portion of long-term borrowings from other financial institutions due within one year	**(3,214,563)**	(224,384)
Portion of senior notes due within one year	**–**	(3,751,598)
Portion of medium-term notes due within one year	**(2,300,000)**	–
Portion of long-term bonds due within one year	**(11,299,900)**	(3,500,000)
Portion of domestic corporate bonds due within one year	**(540,000)**	(8,686,463)
Amounts due within one year	**(24,561,398)**	(21,594,101)
	89,773,388	77,825,292
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Notes (i))	**–**	14,000
– secured by shares (Note (iii))	**500,000**	–
– unsecured	**10,693,549**	8,303,373
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	**27,000**	26,000
– secured by shares	**–**	369,000
Short-term bonds – unsecured (Note (viii))	**1,000,000**	1,000,000
Current portion of non-current borrowings	**24,561,398**	21,594,101
	36,781,947	31,306,474

25 Borrowings *(CONTINUED)*

Notes:

(i) As at 31 December 2019, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB20,221,451,000 (2018: RMB17,295,634,000) were secured by its assets under construction and buildings (Note 6), land use right (Note 7), investment properties (Note 8), properties under development (Note 17(a)), completed properties held for sale (Note 17(b)) and restricted cash (Note 21), of which RMB137,119,000 (2018: RMB147,897,000) were further guaranteed by Mr. Hui Wing Mau.

(ii) On 30 October 2017, the Company entered into a multi-currency loan facility agreement with a syndicate of 12 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$680,000,000 facility and a HK$5,890,000,000 facility at a floating rate of interest. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 31 December 2019, US$680,000,000 and HK$5,890,000,000 have been drawn down. On 30 October 2019, the Company early redeemed multi-currency loan with principal US$34,000,000 at a floating rate of 3.378% and HK$294,500,000 at a floating rate of 4.76%, which were originally due on 7 December 2021.

On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$540,000,000 facility and a HK$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US$570,000,000 facility and a HK$3,551,500,000 facility at a floating rate of interest. As at 31 December 2019, US$570,000,000 and HK$3,551,500,000 have been drawn down.

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$837,850,000 facility and a HK$3,994,000,000 facility at a floating rate of interest, As at 31 December 2019, US$200,000,000 and HK$953,392,000 have been drawn down.

(iii) As at 31 December 2019, 195,000,000 shares (31 December 2018: 195,000,000) of Shimao Jianshe Co., Ltd. ("Shimao Jianshe") have been pledged for total bank borrowings from other financial institutions of RMB500,000,000 (31 December 2018: RMB1,000,000) for the Group companies.

As at 31 December 2019, 180,000,000 shares (31 December 2018: Nil) of Shimao Jianshe have been pledged for total bank borrowings of RMB500,000,000 (31 December 2018: Nil) for the Group companies.

25 Borrowings *(CONTINUED)*

Notes: (continued)

(iv) On 10 February 2015, the Company issued senior notes with total principal of US$800,000,000 at a fixed interest rate of 8.375% due on 10 February 2022. On 17 March 2015, the Company issued senior notes with total principal of US$300,000,000 at a fixed interest rate 8.375% due on 10 February 2022. On 10 January 2019, the Company early redeemed senior notes with total principal of US$550,000,000 at a fixed rate of 8.375%, which was originally due on 10 February 2022. The total redemption price paid was US$573,161,951, including 104.188% of the principal amount of the senior notes, being US$573,034,000 plus accrued and unpaid interest of US$127,951 to the redemption date. On 18 March 2019, the Company early redeemed senior notes with total principal of US$550,000,000 at a fixed rate of 8.375%, which was originally due on 10 February 2022. The total redemption price paid was US$577,896,153, including 104.188% of the principal amount of the senior notes, being US$573,034,000 plus accrued and unpaid interest of US$4,862,153 to the redemption date.

On 22 June 2017 and 28 June 2017, the Company issued senior notes with total principal of US$450,000,000 and US$150,000,000 at a fixed interest rate of 4.750% due on 3 July 2022. On 4 December 2017, the Company issued senior notes with total principal of US$400,000,000 at a fixed interest rate of 4.750% due on 11 December 2022.

On 30 January 2018, the Company issued senior notes with total principal of US$500,000,000 at a fixed interest rate of 5.200% due on 30 January 2025.

On 8 March 2018, the Company issued senior notes with total principal of RMB950,000,000 at a fixed interest rate of 5.750% due on 15 March 2021.

On 3 July 2018, the Company issued senior notes with total principal of RMB1,200,000,000 at a fixed interest rate of 5.750% due on 3 July 2021.

On 16 October 2018, the Company issued senior notes with total principal of US$250,000,000 at a fixed interest rate of 6.375% due on 16 October 2021.

On 17 December 2018, the Company issued senior notes with total principal of US$570,000,000 at a fixed interest rate of 6.375% due on 17 December 2021.

On 13 February 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 6.125% due on 21 February 2024.

On 16 July 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 5.600% due on 16 July 2026.

The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

(v) On 6 January 2017, Shanghai Shimao issued medium-term notes with total principal of RMB1,300,000,000 at a fixed interest rate of 4.50% due on 5 January 2020.

On 6 February 2018, Shanghai Shimao issued medium-term notes with total principal of RMB800,000,000 at a fixed interest rate of 6.43% due on 7 February 2021.

On 6 March 2018, Shanghai Shimao issued medium-term notes with total principal of RMB700,000,000 at a fixed interest rate of 6.33% due on 8 March 2021.

On 17 December 2018, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 5.00% due on 17 December 2020.

On 21 October 2019, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 17 December 2022.

25 Borrowings *(CONTINUED)*

Notes: (continued)

(vi) On 18 September 2015, Shimao Jianshe issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020. On 18 September 2018, Shimao Jianshe early redeemed long-term bonds with total principal of RMB100,100,000 at a fixed interest rate of 3.90%, which was originally due on 18 September 2020.The total redemption price paid was RMB104,003,900, including the principal amount of RMB100,100,000 plus accrued and unpaid interest of RMB3,903,900 to the redemption date.

On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2020.

On 24 March 2016, Shanghai Shimao issued long-term bonds in amount of RMB2,000,000,000 at a fixed interest rate of 3.29% per annum due on 23 March 2019, which was early redeemed on 18 March 2019. The total redemption price paid was RMB2,065,800,000, including the principal amount of RMB2,000,000,000 plus accrued and unpaid interest of RMB65,800,000 to the redemption date.

On 12 July 2016, Shanghai Shimao issued long-term bonds in amount of RMB1,500,000,000 at a fixed interest rate of 3.38% per annum due on 12 July 2019,which was early redeemed on 8 July 2019. The total redemption price paid was RMB1,550,700,000, including the principal amount of RMB1,500,000,000 plus accrued and unpaid interest of RMB50,700,000 to the redemption date.

On 11 July 2017, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,500,000,000 at a fixed interest rate of 4.95% due on 12 July 2020. On 20 September 2017, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 5.15% due on 21 September 2020. On 17 October 2018, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 5.19% due on 18 October 2020.

On 15 January 2019, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 15 January 2022. On 19 March 2019, Shanghai Shimao issued second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.64% due on 19 March 2022. On 22 May 2019, Shanghai Shimao issued the third phase of long-term bonds with aggregate amount of RMB500,000,000 at a fixed interest rate of 4.15% due on 22 May 2022.

On 18 September 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate amount of RMB1,000,000,000 at a fixed interest rate of 4.30% due on 18 September 2022. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on 11 November 2022. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate amount of RMB900,000,000 at a fixed interest rate of 4.30% due on 11 November 2022.

(vii) On 14 January 2016, 3 August 2016, 22 September 2016, 22 September 2016 and 22 September 2016, the Company issued domestic corporate bonds with total principal of RMB4,000,000,000, RMB540,000,000, RMB1,000,000,000, RMB3,000,000,000 and RMB1,200,000,000 at a fixed interest rate of 4.8%, 4,3%, 3.7%, 3.9% and 4.1% due on 14 January 2021, 3 August 2021, 22 September 2018, 22 September 2019 and 22 September 2021.

On 18 September 2017, the Company early redeemed domestic corporate bonds with total principal of RMB950,000,000 at a fixed interest rate of 3.7%, which was originally due on 22 September 2019. The total redemption price paid was RMB985,150,000 including the principal amount of RMB950,000,000 plus accrued and unpaid interest of RMB35,150,000 to the redemption date.

On 22 September 2018, the Company redeemed domestic corporate bonds with total principal of RMB50,000,000 at a fixed interest rate of 3.7%. The total redemption price paid was RMB51,850,000 including the principal amount of RMB50,000,000 plus accrued and unpaid interest of RMB1,850,000 to the redemption date.

On 22 September 2018, the Company early redeemed domestic corporate bonds with total principal of RMB40,000,000 at a fixed interest rate of 3.9%, which was originally due on 22 September 2019. The total redemption price paid was RMB41,560,000 including the principal amount of RMB40,000,000 plus accrued and unpaid interest of RMB1,560,000 to the redemption date.

On 29 September 2019, the Company redeemed domestic corporate bonds with total principal of RMB2,960,000,000 at a fixed interest rate of 3.9%. The total redemption price paid was RMB3,075,440,000 including the principal amount of RMB2,960,000,000 plus accrued and unpaid interest of RMB115,440,000 to the redemption date.

(viii) On 25 April 2018, Shanghai Shimao issued short-term financing bonds with total principal of RMB1,000,000,000 at a fixed interest rate of 5.480% due on 25 April 2019, which was redeemed on 23 April 2019. The total redemption price paid was RMB1,054,800,000 including the principal amount of RMB1,000,000,000 plus accrued and unpaid interest of RMB54,800,000 to the redemption date.

On 23 March 2019, Shanghai Shimao issued short-term financing bonds with total principal of RMB1,000,000,000 at a fixed interest rate of 3.67% due on 23 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Borrowings *(CONTINUED)*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity, whichever is the earlier date, is as follows:

	6 months or less RMB'000	**6–12 months** RMB'000	**1–5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2019	**19,831,229**	**1,701,468**	**19,423,415**	**48,817,276**	**89,773,388**
At 31 December 2018	23,103,690	365,000	4,178,964	50,177,638	77,825,292
Borrowings included in current liabilities:					
At 31 December 2019	**14,117,952**	**22,663,995**	**–**	**–**	**36,781,947**
At 31 December 2018	7,681,549	23,624,925	–	–	31,306,474

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Bank borrowings:		
Between 1 and 2 years	**14,043,143**	5,364,504
Between 2 and 5 years	**16,699,462**	22,044,454
Over 5 years	**3,701,063**	3,065,708
Borrowings from other financial institution:		
Between 1 and 2 years	**920,980**	1,822,000
Between 2 and 5 years	**2,100,000**	2,600,000
Over 5 years	**6,183,800**	6,191,900
Domestic corporate bonds:		
Between 1 and 2 years	**5,195,381**	–
Senior notes:		
Between 1 and 2 years	**7,785,971**	–
Between 2 and 5 years	**13,867,355**	18,244,283
Over 5 years	**10,398,828**	3,406,886
Medium-term notes:		
Between 1 and 2 years	**1,500,000**	2,300,000
Between 2 and 5 years	**1,000,000**	1,500,000
Long-term bonds:		
Between 1 and 2 years	**–**	9,899,424
Between 2 and 5 years	**6,377,405**	1,386,133
	89,773,388	77,825,292

25 Borrowings *(CONTINUED)*

The weighted average effective interest rates at the balance sheet date were as follows:

	As at 31 December	
	2019	2018
Bank borrowings – RMB	**5.15%**	4.91%
Bank borrowings – US dollar	**3.84%**	3.87%
Bank borrowings – HK dollar	**2.97%**	3.38%
Bank borrowings – JPY yen	**1.20%**	1.12%
Senior notes	**5.75%**	6.65%
Borrowings from other financial institutions – RMB	**5.91%**	5.66%

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amounts RMB'000	**Fair values** RMB'000
Fixed rate portion – senior notes	32,052,154	33,453,744
Fixed rate portion – others	25,359,847	25,267,516
Floating rate portion	32,361,387	32,224,407
At 31 December 2019	89,773,388	90,945,667
Fixed rate portion – senior notes	21,651,169	21,030,489
Fixed rate portion – others	28,533,457	28,390,364
Floating rate portion	27,640,666	27,497,292
At 31 December 2018	77,825,292	76,918,145

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of senior notes recorded in non-current liabilities as at 31 December 2019 amounting to RMB33,453,744,000 (2018: RMB21,030,489,000) were calculated using the market price of the traded senior notes on the balance sheet date. The fair values of senior notes are within Level 1 of the fair value hierarchy.

The fair values of other non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of other non-current borrowings are within Level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

26 Trade and other payables

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Trade payables (Note (a))	**68,618,406**	41,104,519
Other payables (Note (b))	**4,466,369**	3,585,697
Other taxes payable	**3,329,916**	3,680,142
Accrued expenses	**2,642,895**	2,214,813
	79,057,586	50,585,171

Notes:

(a) As at 31 December 2019, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Within 90 days	**68,295,163**	40,813,784
Over 90 days and within 1 year	**323,243**	290,735
	68,618,406	41,104,519

(b) Other payables comprise:

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Deposits received from customers	**2,043,550**	1,917,118
Deposits from constructors	**511,103**	574,190
Rental deposits from tenants and hotel customers	**897,894**	566,674
Fees collected from customers on behalf of government agencies	**268,134**	337,580
Others	**745,688**	190,135
	4,466,369	3,585,697

27 Amounts due to related parties

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
– Associated companies	**4,159,537**	4,189,043
– Joint ventures	**23,639,641**	16,643,004
– Non-controlling interests	**13,703,265**	17,402,595
	41,502,443	38,234,642

Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities. Amounts due to non-controlling interests represent funds injected by the non-controlling shareholders for the development of properties.

The balances due to related parties are unsecured, interest-free and have no fixed repayment terms.

28 Other income/other gains – net

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Other income		
Government grants received	**59,811**	100,193
Other gains – net		
Net gains on disposal of subsidiaries with loss of control (Note 40(c))	**41,153**	53,388
Gains on derivative financial instruments (Note 20)	**40,288**	11,278
Gains on investment in structured products issued by banks	**–**	19,558
Gains on acquisition of subsidiaries (Note 40(a))	**143,823**	1,814
Penalty income (Note)	**47,658**	70,586
Gains on financial assets at FVPL (Note 14)	**2,910**	6,350
Others	**15,996**	34,113
	291,828	197,087
	351,639	297,280

Note:

Penalty income represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

29 Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of properties sold and others	**75,920,355**	56,999,178
Including: interests capitalised	**4,870,868**	4,104,972
land and construction	**69,427,572**	51,859,940
Taxes and surcharges on sales of properties	**594,189**	464,262
Staff costs – including directors' emoluments (Note 31(a))	**2,641,901**	2,080,237
Advertising, promotion and commission costs	**1,997,639**	1,653,779
Direct expenses arising from hotel operation	**1,154,735**	1,076,954
Corporate and office expenses	**912,629**	882,608
Consulting fee	**320,278**	258,420
Depreciation (Note 6)	**732,951**	585,515
Amortisation of land use rights	**–**	78,368
Amortisation of right-of-use assets (Note 7(b))	**221,738**	–
Operating lease rental expenses	**–**	92,291
Charitable donations	**83,032**	64,500
Auditor's remuneration	**24,150**	23,090
– Audit services	**14,000**	9,800
– Non-audit services	**10,150**	13,290
Provision for/(reversal of) impairment losses on financial assets	**70,375**	(25,529)
Provision for impairment losses on completed properties held for sale (Note 17(b))	**134,489**	89,885
Other expenses	**191,969**	187,976
Total cost of sales, selling and marketing costs, administrative expenses, provision for/(reversal of) impairment losses on financial assets and other operating expenses	**85,000,430**	64,511,534

30 Finance costs – net

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Finance income		
– interest income on short-term bank deposits	**(923,869)**	(786,116)
Interest on bank borrowings		
– wholly repayable within five years	**5,562,163**	4,621,860
– not wholly repayable within five years	**251,699**	147,225
Interest on senior notes		
– wholly repayable within five years	**1,879,865**	648,019
– not wholly repayable within five years	**185,284**	775,560
Interest on borrowings from other financial institutions		
– wholly repayable within five years	**869,510**	699,938
Interest on finance lease liabilities		
– wholly repayable within five years	**–**	6,461
Interest charges paid/payable for lease liabilities (Note 7)		
– wholly repayable within five years	**17,406**	–
	8,765,927	6,899,063
Net foreign exchange loss	**1,237,688**	2,178,379
Less: interest and foreign exchange losses capitalised	**(8,794,826)**	(7,954,299)
Finance costs	**1,208,789**	1,123,143
Net finance costs	**284,920**	337,027

31 Employee benefit expense

(a) Staff costs (including directors' emoluments) comprise:

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Wages and salaries	**2,037,442**	1,585,045
Pension costs – statutory pension (Note (b))	**218,174**	165,284
Other allowances and benefits	**386,285**	329,908
	2,641,901	2,080,237

(b) Pensions-defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

31 Employee benefit expense *(CONTINUED)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2018: four) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining one (2018: one) individual during the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,974**	4,437
Contribution to pension scheme	**115**	112
Bonuses	**2,016**	390
	4,105	4,939

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in RMB)		
RMB4,500,001 – RMB5,000,000	**–**	1
RMB4,000,001 – RMB4,500,000	**1**	–

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2019 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	–	5,375	896	–	–	–	6,271
Mr. Hui Sai Tan, Jason	–	6,655	–	–	16	3,642	10,313
Ms. Tang Fei	–	2,933	978	60	115	2,691	6,777
Non-executive directors							
Mr. Liu Sai Fei	–	2,911	289	–	–	–	3,200
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	317	–	–	–	–	–	317
Mr. Lyu Hong Bing	317	–	–	–	–	–	317
Mr. Lam Ching Kam	317	–	–	–	–	–	317
	951	17,874	2,163	60	131	6,333	27,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

32 Benefits and interests of directors *(CONTINUED)*

(a) Directors' emoluments (continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2018 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	–	5,278	880	–	–	–	6,158
Mr. Hui Sai Tan, Jason	–	6,850	–	–	16	2,065	8,931
Ms. Tang Fei	–	2,550	765	60	108	1,758	5,241
Mr. Liao Lujiang (Note)	–	179	–	12	8	–	199
Non-executive directors							
Mr. Liu Sai Fei	–	2,911	289	–	–	–	3,200
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	317	–	–	–	–	–	317
Mr. Lyu Hong Bing	317	–	–	–	–	–	317
Mr. Lam Ching Kam	317	–	–	–	–	–	317
	951	17,768	1,934	72	132	3,823	24,680

Note:

Mr. Liao Lujiang resigned as an executive director with effect from 31 January 2018.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year.

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

33 Income tax expense

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current income tax		
– PRC enterprise and withholding income tax	**6,151,969**	5,382,757
– PRC land appreciation tax	**5,644,757**	4,537,855
	11,796,726	9,920,612
Deferred income tax		
– PRC enterprise and withholding income tax (Note 15)	**838,661**	406,661
	12,635,387	10,327,273

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 companies within the Group as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**29,015,352**	22,638,205
Add: Share of results of associated companies and joint ventures	**(96,825)**	233,469
Less: Land appreciation tax	**(5,644,757)**	(4,537,855)
	23,273,770	18,333,819
Calculated at PRC enterprise income tax rate of 25% (2018: 25%)	**5,818,443**	4,583,455
Effect of different tax rates in other countries or regions	**(1,396)**	(4,075)
Expenses and losses not deductible for income tax purposes (Note (a))	**500,121**	478,033
Income not subject to tax (Note (b))	**(290,015)**	(280,552)
Tax losses not recognised	**504,188**	492,327
PRC withholding income tax and others	**459,289**	520,230
PRC enterprise and withholding income tax charge	**6,990,630**	5,789,418
PRC land appreciation tax charge	**5,644,757**	4,537,855
	12,635,387	10,327,273

Notes:

(a) Expenses and losses not deductible for income tax purposes mainly resulted from net exchange losses and expenses incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.

(b) Income not subject to tax arose mainly from interest income and net exchange gains earned by companies incorporated in Cayman Islands, the British Virgin Islands and Hong Kong.

33 Income tax expense *(CONTINUED)*

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2019 (2018: Nil).

PRC enterprise income tax

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purposes.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures. The tax is incurred upon transfer of property ownership.

PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

34 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Profit attributable to the equity holders of the Company (RMB'000)	**10,897,600**	8,834,790
Weighted average number of ordinary shares in issue (thousands)	**3,291,138**	3,337,541
Basic earnings per share (RMB cents)	**331.1**	264.7

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Scheme assuming they were exercised.

	Year ended 31 December	
	2019	2018
Profit attributable to the equity holders of the Company (RMB'000)	**10,897,600**	8,834,790
Weighted average number of ordinary shares in issue (thousands)	**3,291,138**	3,337,541
Adjustment for shares granted under Share Scheme (thousands)	**5,203**	7,214
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,296,341**	3,344,755
Diluted earnings per share (RMB cents)	**330.6**	264.1

35 Dividends

	Year ended 31 December	
	2019 **RMB'000**	2018 RMB'000
Interim dividends paid of HK60 cents (2018: HK50 cents) per ordinary share (Note (a))	**1,783,599**	1,457,489
Proposed final dividends of HK85 cents (2018: HK70 cents) per ordinary share (Note (b))	**2,671,213**	1,971,784
Other dividends paid	**1,962,455**	212,240
	6,417,267	3,641,513

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2019 of HK60 cents per ordinary share, amounting to HK$1,980,896,000 (equivalent to RMB1,783,599,000) was paid in September 2019 (2018: RMB1,457,489,000).

(b) At a meeting held on 30 March 2020, the Directors proposed a final dividend of HK85 cents per ordinary share for the year ended 31 December 2019. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2019 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,971,784,000 relating to the year ended 31 December 2018 was paid in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

36 Notes to the consolidated statements of cash flows

(a) Net cash generated from operations:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	**29,015,352**	22,638,205
Adjustments for:		
Interest income	**(923,869)**	(786,116)
Interest expense	**1,044,140**	906,457
Provision for/(reversal of) impairment losses on financial assets	**70,375**	(25,529)
Provision for impairment loss on completed properties held for sale	**134,489**	89,885
Depreciation	**732,951**	585,515
Share of results of associated companies and joint ventures accounted for using the equity method	**(96,825)**	233,469
Net gains on disposal and deemed disposal of subsidiaries with loss of control	**(41,153)**	(53,388)
Net gains on acquisition of subsidiaries	**(143,823)**	(1,814)
Amortisation of land use rights	**–**	78,368
Amortisation of right-of-use assets	**221,738**	–
Fair value gain on derivative financial instruments	**(40,288)**	(11,278)
Fair value gain on financial assets at fair value through profit or Loss	**(2,910)**	(6,350)
Interest received from investment in structured products issued by banks	**–**	(19,558)
Fair value gains on investment properties	**(2,335,257)**	(1,910,251)
Value of employee services arising from equity-settled share based payment scheme	**125,171**	116,075
Net exchange losses	**164,649**	216,686
	27,924,740	22,050,376
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	**(14,808,706)**	(27,622,215)
Right-of-use assets	**65,465**	–
Other non-current assets	**(341,660)**	(482,524)
Biological assets	**–**	18,652
Restricted cash	**(394,546)**	(32,270)
Trade and other receivables and prepayments	**6,073,962**	(1,558,783)
Trade and other payables	**12,561,388**	12,996,060
Contract liabilities	**6,802,072**	9,468,329
Amounts due to related companies excluding non-controlling Interests	**6,967,131**	(340,413)
Net cash generated from operations	**44,849,846**	14,497,212

36 Notes to the consolidated statements of cash flows *(CONTINUED)*

(b) Net debt reconciliation

Net debt	As at 31 December 2019 RMB'000
Borrowings – repayable within one year	**36,781,947**
Borrowings – repayable after one year	**89,773,388**
Cash and cash equivalents	**(52,357,251)**
Restricted cash	**(7,265,779)**
Net debt	**66,932,305**
Gross debt – fixed interest rates	**78,974,816**
Gross debt – variable interest rates	**47,580,519**
Cash and cash equivalents	**(52,357,251)**
Restricted cash	**(7,265,779)**
Net debt	**66,932,305**

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net debt as at 31 December 2018	(43,688,296)	(5,888,489)	31,306,474	77,825,292	59,554,981
Cash flows	(8,653,414)	(1,377,290)	(20,394,196)	27,877,775	(2,547,125)
Foreign exchange adjustments	(15,541)	–	181,732	1,170,959	1,337,150
Reclassification	–	–	24,561,398	(24,561,398)	–
Other non-cash movements	–	–	1,126,539	7,460,760	8,587,299
Net debt as at 31 December 2019	(52,357,251)	(7,265,779)	36,781,947	89,773,388	66,932,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2019 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB3,751,168,261	59.74%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Hotel and shopping mall
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US$75,000,000	100%	Property development
西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK$650,000,000	100%	Hotel
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US$18,400,000	100%	Property development and hotel
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	79.47%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	59.74%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
咸陽世茂房地產開發有限公司 (Xianyang Shimao Real Estate Development Co., Ltd.)	29 April 2004	Foreign investment enterprise	Registered capital HK$30,000,000	100%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	79.47%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US$114,269,000	100%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	59.74%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US$109,600,000	100%	Property development
煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US$323,730,000	100%	Property development
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Foreign investment enterprise	Registered capital US$108,900,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK$65,000,000	100%	Trading of construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US$178,000,000	100%	Property development
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB269,300,000	59.74%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,640	59.74%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	59.74%	Property development
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB581,512,000	59.74%	Property development
瀋陽世茂新紀元置業有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK$257,000,000	100%	Property development
福州世茂實業有限公司 (Fuzhou Shimao Industrial Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB430,000,000	100%	Property development
紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB245,520,127	59.74%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	59.74%	Property development
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Foreign investment enterprise	Registered capital US$200,000,000	100%	Property development
上海世盈投資管理有限公司 (Shanghai Shiying Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB692,174,000	59.74%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$16,000,000	95%	Property development
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$29,980,000	100%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US$49,980,000	100%	Property development
蕪湖世茂新世紀置業有限公司 (Wuhu Shimao New Century Property Co., Ltd.)	26 September 2007	Foreign investment enterprise	Registered capital RMB35,000,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
上海逸景園林景觀工程有限公司 (Shanghai Yijing Landscaping Architect Co., Ltd.)	3 September 2009	Domestic enterprise	Registered capital RMB10,000,000	100%	Architect
大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.)	4 September 2009	Foreign investment enterprise	Registered capital US$100,000,000	100%	Property development
福建世茂新里程投資發展有限公司 (Fujian Shimao New Miles Investment Development Co., Ltd.)	10 October 2009	Domestic enterprise	Registered capital RMB16,000,000,000	49.47%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao New Miles Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB1,470,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd.)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	79.47%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US$159,980,000	100%	Property development
寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.)	27 May 2010	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB1,000,000,000	59.74%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	100%	Property developement
南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.)	26 April 2011	Domestic enterprise	Registered capital US$692,000,000	100%	Property development
青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB450,000,000	59.74%	Property development
平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB615,630,000	100%	Property development
大廠回族自治縣中基太業房地產開發有限公司 (Dachang Hui Autonomous County Real Estate Development Co., Ltd.)	11 August 2011	Domestic enterprise	Registered capital RMB493,570,000	65%	Property development
青島世茂濱海置業有限公司 (Qingdao Shimao Binhai Property Co., Ltd.)	8 November 2011	Domestic enterprise	Registered capital RMB200,000,000	59.74%	Property development
武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.)	23 March 2012	Domestic enterprise	Registered capital RMB526,000,000	100%	Property development
南通世茂房地產開發有限公司 (Nantong Shimao Real Estate Development Co., Ltd.)	14 December 2012	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
蘇州世茂新里程置業有限公司 (Suzhou Shimao New Miles Property Co., Ltd.)	17 January 2013	Domestic enterprise	Registered capital RMB600,000,000	59.74%	Property development
石獅世茂房地產開發有限公司 (Shishi Shimao Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB639,000,000	55.96%	Property development
石獅世茂新城房地產開發有限公司 (Shishi Shimao New City Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB781,000,000	55.96%	Property development
杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US$150,000,000	51%	Property development
寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.)	9 June 2013	Domestic enterprise	Registered capital RMB1,238,500,000	59.74%	Property development
張家港世茂房地產開發有限公司 (Zhangjiagang Shimao Real Estate Development Co., Ltd.)	12 July 2013	Domestic enterprise	Registered capital RMB1,000,000,000	51%	Property development
上海西科投資管理有限公司 (Shanghai Xike Investment & Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
天津世茂新體驗置業有限公司 (Tianjin Shimao New Experience Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB850,000,000	59.74%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Property development
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US$121,060,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US$75,940,000	100%	Property development
上海茂沁投資管理有限公司 (Shanghai Maoqin Investment & Management Co., Ltd.)	5 December 2013	Domestic enterprise	Registered capital RMB1,371,770,000	59.74%	Investment holding
濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.)	7 January 2014	Domestic enterprise	Registered capital RMB1,310,000,000	59.74%	Property development
上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.)	21 January 2014	Domestic enterprise	Registered capital RMB600,000,000	100%	Investment holding
南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.)	2 July 2014	Domestic enterprise	Registered capital RMB120,000,000	100%	Property development
武漢濱江天地商業經營管理有限公司 (Wuhan Riviera Tiandi Business Operation Management Co., Ltd.)	12 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Business management
南京漢佑商業管理有限公司 (Nanjing Hanyou Business Management Co., Ltd.)	21 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Business management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
南京世招荃晟置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.)	27 January 2015	Domestic enterprise	Registered capital RMB250,000,000	51%	Property development
銀川海茂房地產有限公司 (Yinchuan Haimao Real Estate Co., Ltd.)	20 May 2015	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
銀川世海房地產有限公司 (Yinchuan Shihai Real Estate Co., Ltd.)	2 September 2015	Domestic enterprise	Registered capital RMB50,000,000	51%	Property development
無錫迎碧房地產開發有限公司 (Wuxi Yingbi Real Estate Development Co., Ltd.)	4 January 2016	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
銀川世茂新發展置業有限公司 (Yinchuan Shimao New Development Property Co., Ltd.)	12 January 2016	Domestic enterprise	Registered capital RMB103,624,000	96.5%	Property development
南京世茂新領航置業有限公司 (Nanjing Shimao New Pioneer Property Co., Ltd.)	1 June 2016	Domestic enterprise	Registered capital RMB7,700,000,000	56.8%	Property development
成都世茂新世紀商業管理有限公司 (Chengdu Shimao New Century Business Management Co., Ltd.)	13 July 2016	Domestic enterprise	Registered capital RMB1,000,000	100%	Business management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
銀川世茂新體驗置業有限公司 (Yinchuan Shimao New Experience Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	96.5%	Property development
銀川世茂新領域置業有限公司 (Yinchuan Shimao New Domain Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	96.5%	Property development
銀川世茂新里程置業有限公司 (Yinchuan Shimao New Miles Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
杭州融大齊雲置業有限公司 (Hangzhou Rongda Qiyun Property Co., Ltd.)	8 September 2016	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
泉州世茂融信新世紀房地產有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.47%	Property development
泉州世茂融信新領航房地產有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.47%	Property development
上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.)	19 January 2017	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
上海茂璟置業有限公司 (Shanghai Maojing Property Co., Ltd.)	6 February 2017	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
福州世茂悦盈置業有限公司 (Fuzhou Shimao Yueying Property Co., Ltd.)	3 July 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
廈門市毅駿置業有限公司 (Xiamen Yijun Property Co., Ltd.)	9 August 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
福州世茂世盈置業有限公司 (Fuzhou Shimao Shiying Property Co., Ltd.)	22 September 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development
深圳市坪山區城投宏源投資有限公司 (Shenzhen Pingshan City Investment Hongyuan Co., Ltd.)	15 December 2017	Domestic enterprise	Registered capital RMB100,000,000	35.84%	Property development
寧波世茂新領航置業有限公司 (Ningbo Shimao New Pioneer Property Co., Ltd.)	27 December 2017	Domestic enterprise	Registered capital RMB800,000,000	51%	Property development
漳州中世置業有限公司 (Zhangzhou Zhongshi Property Co., Ltd.)	5 March 2018	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd.)	23 March 2018	Domestic enterprise	Registered capital RMB50,000,000	70%	Property development
平陽世盈房地產開發有限公司 (Pingyang Shiying Real Estate Development Co., Ltd.)	4 June 2018	Domestic enterprise	Registered capital RMB60,000,000	51%	Property development
湖州世茂房地產開發有限公司 (Huzhou Shimao Real Estate Development Co., Ltd.)	5 July 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
銀川世茂嘉年華房地產開發有限公司 (Yinchuan Shimao Carnival Real Estate Development Co., Ltd.)	11 July 2018	Domestic enterprise	Registered capital RMB100,000,000	96.5%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
常熟茂龍房地產開發有限公司 (Changshu Maolong Real Estate Development Co., Ltd.)	31 July 2018	Domestic enterprise	Registered capital RMB200,000,000	50%	Property development
青島世茂世悦置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd.)	7 August 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd.)	27 August 2018	Domestic enterprise	Registered capital RMB10,000,000	40.53%	Property development
湖北長荊上河置業有限公司 (Hubei Changjingshanghe Property Co., Ltd.)	27 August 2018	Domestic enterprise	Registered capital RMB20,000,000	60%	Property development
合肥世茂欣源茂房地產開發有限公司 (Hefei Shimao Xinyuan Real Estate Development Co., Ltd.)	10 May 2019	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
肇慶四會悦盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd.)	15 April 2019	Domestic enterprise	Registered capital RMB5,000,000	100%	Property development
茂名世茂悦盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd.)	4 April 2019	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
濟南文昌世茂廣場置業有限公司 (Jinan Wenchang Shimao Square Property Co., Ltd.)	21 May 2019	Domestic enterprise	Registered capital RMB100,000,000	79.47%	Property development

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For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
昆明悦盈房地產開發有限公司 (Kunming Yueying Real Estate Development Co., Ltd.)	10 April 2019	Domestic enterprise	Registered capital RMB100,000,000	40.53%	Property development
天臺茂龍房地產開發有限公司 (Tiantai Maolong Real Estate Development Co., Ltd.)	23 July 2019	Domestic enterprise	Registered capital RMB266,000,000	51%	Property development
天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.)	5 December 2019	Domestic enterprise	Registered capital RMB20,000,000	51%	Property development
淮南恒升天鵝灣置業有限公司 (Huainan Hengsheng Swan Bay Property Co., Ltd.)	22 December 2016	Domestic enterprise	Registered capital RMB88,000,000	80%	Property development
福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd.)	28 November 2019	Domestic enterprise	Registered capital RMB210,000,000	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands					
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US$50,000	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Advance Assets Holdings Limited	22 June 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Precisely Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Shimao Management (Overseas) Limited	18 December 2002	Limited liability company	1 ordinary share of US$1	100%	Management services
Wickfair Investments Limited	8 October 2004	Limited liability company	1 ordinary share of US$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands *(continued)*					
Keen Villa Limited	10 May 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
East Lighter Group Limited	12 May 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Ease Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Win Real Group Limited	29 May 2007	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary shares of US$450,000,000	100%	Investment holding
Assets Circle Limited	2 February 2016	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Classic Prime Limited	20 May 2016	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Fortune Spring Ventures Limited	8 November 2016	Limited liability company	1 ordinary share of US$1	100%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in Hong Kong					
Shimao Holdings Company Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK$395 million	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK$1	100%	Management services
Fine Tune Investments Limited	5 June 2006	Limited liability company	1 ordinary share of HK$1	100%	Holding of trademarks
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK$100,000	100%	Consultancy services
Modern Professional Architectural Design Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK$100,000	100%	Design services
Faith Joy Investments Limited	7 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Grandday International Limited	11 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
New Sincere Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Excel Mode Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in Hong Kong *(continued)*					
Future Right Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Swift Time Limited	18 March 2009	Limited liability company	1 ordinary share of HK$1	100%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability company	1 ordinary share of HK$1	100%	Property development
Adventure Success Limited	25 November 2014	Limited liability company	1 ordinary share of HK$1	100%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Associated companies – established and operation conducted in the PRC					
成都市恒裕房地產開發有限公司 (Chengdu Hengyu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB4,030,000,000	33.33%	Property development
廣州市誠譽房地產開發有限公司 (Guangzhou Chengyu Real Estate Development Co., Ltd.)	25 November 2012	Domestic enterprise	Registered capital RMB60,000,000	50%	Investment holding
北京創譽房地產開發有限公司 (Beijing Chuangyu Real Estate Development Co., Ltd.)	2 April 2013	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.)	5 February 2015	Domestic enterprise	Registered capital RMB820,000,000	49%	Property development
杭州龍尚房地產開發有限公司 (Hangzhou Longshang Real Estate Development Co., Ltd.)	8 August 2016	Domestic enterprise	Registered capital RMB1,000,000,000	25%	Property development
蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB50,000,000	24.5%	Property development
宣城世茂卓盈房地產開發有限公司 (Xuancheng Shimao Zhuoying Real Estate Development Co., Ltd.)	20 August 2019	Domestic enterprise	Registered capital RMB20,000,000	49%	Property development
南寧金盛泓房地產開發有限公司 (Nanning Jinshenghong Real Estate Development Co., Ltd.)	10 April 2019	Domestic enterprise	Registered capital RMB205,000,000	40%	Property development
巢湖市世巽置業有限公司 (Chaohu shixun Property Co., Ltd.)	24 July 2019	Domestic enterprise	Registered capital RMB20,000,000	40%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Associated companies – established and operation conducted in the British Virgin Islands					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
Joint ventures – established and operation conducted in the PRC					
上海春日置業有限公司 (Shanghai Chunri Property Co., Ltd.)	3 August 2001	Domestic enterprise	Registered capital RMB90,000,000	45%	Property development
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development &Construction Co., Ltd.)	20 November 2009	Domestic enterprise	Registered capital RMB900,000,000	50%	Property development
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign Investment enterprise	Registered capital RMB2,059,377,000	26.67%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
長沙世茂房地產有限公司 (Changsha Shimao Real Estate Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB500,000,000	50%	Property development
天津和安投資有限公司 (Tianjin He'an Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
寧波世茂新里程置業有限公司 (Ningbo Shimao New Miles Property Co., Ltd.)	5 August 2011	Domestic enterprise	Registered capital RMB600,000,000	50%	Property development
寧波鼎峰房地產開發有限公司 (Ningbo Dingfeng Real Estate Development Co., Ltd.)	17 September 2013	Domestic enterprise	Registered capital RMB125,000,000	40%	Property development
寧波世茂嘉年華置業有限公司 (Ningbo Shimao Carnival Property Co., Ltd.)	18 December 2013	Domestic enterprise	Registered capital RMB400,000,000	50%	Property development
南寧世茂投資有限公司 (Nanning Shimao Investment Co., Ltd.)	9 April 2014	Domestic enterprise	Registered capital RMB440,000,000	50%	Property development

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Joint ventures – established and operation conducted in the PRC *(continued)*					
杭州茂國悦盈置業有限公司 (Hangzhou Maoguo Yueying Property Co., Ltd.)	16 February 2017	Domestic enterprise	Registered capital RMB1,500,000,000	50%	Property development
廣州新合房地產有限公司 (Guangzhou Xinhe Real Estate Co., Ltd.)	11 May 2017	Domestic enterprise	Registered capital RMB100,000,000	33%	Property development
濟南碧世榮光房地產開發有限公司 (Jinan Bishi Rongguang Real Estate Development Co., Ltd.)	19 June 2017	Domestic enterprise	Registered capital RMB10,000,000	33%	Property development
佛山市新紀元置業有限公司 (Foshan New Era Property Co., Ltd.)	27 June 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
北京遠創興茂置業有限公司 (Beijing Yuanchuang Xingmao Property Co., Ltd.)	15 August 2017	Domestic enterprise	Registered capital RMB100,000,000	30%	Property development
福州世茂瑞盈置業有限公司 (Fuzhou Shimao Ruiying Property Co., Ltd.)	4 January 2018	Domestic enterprise	Registered capital RMB10,000,000	20%	Property development
南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.)	15 May 2018	Domestic enterprise	Registered capital RMB100,000,000	42%	Property development
滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd.)	29 June 2018	Domestic enterprise	Registered capital RMB1,455,000,000	25%	Property development
舟山世茂房地產開發有限公司 (Zhoushan Shimao Real Estate Development Co., Ltd.)	18 June 2019	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
肇慶四會豐盈房地產開發有限公司 (Zhaoqing Sihui Fengying Real Estate Development Co., Ltd.)	5 June 2019	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Joint ventures – established and operation conducted in the PRC *(continued)*					
莆田聯茂置業有限公司 (Putian Lianmao Real Estate Development Co., Ltd.)	12 June 2019	Domestic enterprise	Registered capital RMB200,000,000	49%	Property development
玉林市嘉澤投資有限責任公司 (Yulin Jiaze Investment Co., Ltd.)	19 July 2018	Domestic enterprise	Registered capital RMB32,051,280	40%	Investment holding
玉林市浩景房地產開發有限公司 (Yulin Haojing Real Estate Development Co., Ltd.)	26 September 2018	Domestic enterprise	Registered capital RMB30,000,000	30%	Property development
滎陽市雅恒置業有限公司 (Xingyang Yaheng Property Co., Ltd.)	25 June 2019	Domestic enterprise	Registered capital RMB30,303,030	33%	Property development
Joint ventures – established and operation conducted in Hong Kong					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK$2	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK$2	50%	Investment holding
Sky Asia Properties Limited	10 April 2017	Limited liability company	1 ordinary share of HK$1	22.5%	Property development

38 Contingencies and financial guarantee contracts

(a) The Group had the following contingent liabilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**19,119,460**	18,174,775

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The Group had the following financial guarantee liabilities:

		As at 31 December	
		2019	2018
	Year of maturity	**RMB'000**	RMB'000
Guarantee in respect of borrowings	2019-2023	**9,503,366**	8,956,494

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings and other financial institutions borrowings. The respective guarantees provided by the Group amounted to RMB9,503,366,000 as at 31 December 2019 (2018: RMB8,956,494,000). The fair value of the financial guarantee contracts is not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

(c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. ("Hangzhou Shimao"), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within 'Other income/other gains – net' during the year ended 31 December 2016. As at 31 December 2019, the legal litigation is still in trial process. In the opinion of the Directors, after taking into consideration the appropriate legal advice, the outcome of this legal litigation will not give rise to any significant loss beyond the estimated amounts provided as at 31 December 2019 and 2018. No more provision has been accrued or reversed during the year ended 31 December 2019.

For other litigation against the Group, the Directors are of the view that they would not cause an outflow of the Group's resources embodying economic benefits as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

39 Commitments

Commitments for capital and property development expenditure

	As at 31 December	
	2019 **RMB'000**	2018 RMB'000
Contracted but not provided for		
– Property and equipment	**2,448,055**	1,541,416
– Land use rights (including those related to associated companies and joint ventures)	**26,959,655**	9,288,768
– Properties being developed by the Group for sale	**43,023,356**	38,315,818
	72,431,066	49,146,002

40 Significant acquisition or disposal of subsidiaries and transactions with NCI

(a) Certain joint ventures transferred to subsidiaries

In 2019, the Group acquired the equity interests of certain joint ventures of the Group, at a consideration of RMB2,741,186,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The carrying value of the investment in the joint venture was RMB1,217,973,000 before the acquisition. The purchase resulted in a net cash inflow of RMB224,413,000 and RMB143,823,000 gains were recognised from the acquisition.

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,965,599
Properties under development	16,529,407
Trade and other receivables and prepayments	4,980,537
Prepaid income taxes	365,782
Property and equipment (Note 6)	1,516
Deferred tax assets (Note 15)	80,353
Borrowings	(5,577,760)
Contract liabilities	(9,770,975)
Income tax payable	(10,713)
Trade and other payables	(5,073,893)
Total identifiable net assets	4,489,853
Non-controlling interests	(386,871)
Total acquired net assets	4,102,982
Book value of previously held interests in the joint ventures (Note 11(b))	(1,217,973)
Cash consideration paid	(2,741,186)
Gains on acquisition (Note 28)	143,823
Cash consideration paid	(2,741,186)
Cash and cash equivalents in the entities acquired	2,965,599
Net cash inflow from the acquisition	224,413

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(CONTINUED)*

(b) Acquisition of subsidiaries

In 2019, the Group acquired the equity interests of certain companies, at a total consideration of RMB4,418,750,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The purchase resulted in a net cash outflow of RMB1,851,138,000 and no gain or loss was recognised from this acquisition.

The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,567,612
Properties under development	27,037,669
Trade and other receivables and prepayments	403,027
Prepaid income taxes	6,388
Property and equipment (Note 6)	255,650
Deferred tax assets (Note 15)	75,553
Borrowings	(3,009,539)
Contract liabilities	(10,905,902)
Income tax payable	(59,438)
Trade and other payables	(10,186,572)
Total identifiable net assets	6,184,448
Non-controlling interests	(1,934,386)
Total acquired net assets	4,250,062
Goodwill (Note 9)	168,688
Cash consideration paid	(4,418,750)
Gain on acquisition	–
Cash consideration paid	(4,418,750)
Cash and cash equivalents in the entities acquired	2,567,612
Net cash outflow due to acquisition	(1,851,138)

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(CONTINUED)*

(c) Disposal of subsidiaries (with loss of control)

In 2019, the Group lost control of certain subsidiaries. The remaining interests of the Group in these joint ventures have a fair value of RMB150,000,000. The disposal resulted in a net cash inflow of RMB152,893,000 and a net gains of RMB41,153,000.

Net assets disposed and reconciliation of disposal gains and cash inflow on disposal are as follow:

	RMB'000
Cash and cash equivalents	2,107
Properties under development	1,406,613
Property and equipment (Note 6)	252
Trade and other receivables and prepayments	391,313
Deferred tax assets (Note 15)	998
Trade and other payables	(1,537,436)
Total identifiable net assets	263,847
Net assets disposed	263,847
Fair value of interests retained in joint ventures (Note 11(b))	150,000
Total consideration received	155,000
Net assets disposed	(263,847)
Disposal gains (Note 28)	41,153
Total consideration	155,000
Less: cash and cash equivalents in the entities disposed	(2,107)
Net cash inflow from disposal	152,893

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(CONTINUED)*

(d) Deemed disposal of subsidiaries

In 2019, the Group lost control of certain subsidiaries. The remaining interests of the Group in these companies have a fair value of RMB15,000,000. The deemed disposal resulted in a net cash outflow of RMB10,136,000 and no gain or loss was recognised.

Net assets disposed and reconciliation of disposal gains and cash outflow on disposal are as follow:

	The date of disposal RMB'000
Cash and cash equivalents	10,136
Other assets	38,089
Trade and other payables	(33,225)
Total identifiable net assets	15,000
Net assets disposed	15,000
Fair value of interests retained (Note 11(b))	15,000
Net assets disposed	(15,000)
Gains on deemed disposal	–
Net cash outflow due to deemed disposal	(10,136)

(e) Transaction with non-controlling interests

(i) Capital contribution from non-controlling interests

For the year ended 31 December 2019, non-controlling interests made several capital injections into the Group with total amount of RMB4,840,075,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

(ii) Changes in ownership interests in subsidiaries without change of control

For the year ended 31 December 2019, the Group acquired additional interests in the subsidiaries for a net consideration of RMB5,769,304,000. The Group recognised a decrease in non-controlling interests of RMB5,563,569,000 and a decrease in the equity attributable to the equity holders of the Company of RMB205,735,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	The date of acquisiton RMB'000
Carrying amount of non-controlling interests acquired	5,563,569
Consideration paid in current period to non-controlling interests	(5,769,304)
Excess of consideration paid recognised in equity	(205,735)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

41 Related party transactions

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 59.003% of the Company's shares. The ultimate controlling party of the Group is Mr.Hui Wing Mau.

(a) Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into the following major related party transactions.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Construction material sold to related companies	**326,456**	257,770

(b) Key management compensation

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	**20,152**	19,774
– Retirement scheme contributions	**131**	132
	20,283	19,906

42 Events after the reporting period

42.1 In January 2020, the Company issued 158,000,000 new shares. The net proceeds received by the Company were approximately HK$4,638 million.

42.2 In March 2020, the Group obtained RMB6.5 billion low cost financing (3.23-3.9% interest per annum) including RMB4.5 billion corporate bonds issued by Shimao Jianshe, with interest rate for the 5-year bonds at 3.23% and that for the 7-year bonds was 3.9%.

42.3 The worldwide outbreak of coronavirus ("Coronavirus Pandemic") began in January 2020. Having reviewed the market condition, operation, sufficiency of the Group working capital and financing, the Directors of the Company considered the Coronavirus Pandemic does not have a significant adverse impact on the Group's financial position as at 31 December 2019 and financial performance for the year then ended.

43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 30 March 2020.

44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Audited 31 December 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	40,228,627	33,872,356
Other non-current assets	419,946	159,315
	40,648,573	34,031,671
Current assets		
Other receivables	11,487	7,171
Derivative financial instruments	63,004	12,468
Dividends receivable from subsidiaries	30,787,361	20,233,419
Cash and cash equivalents	153,541	694,209
	31,015,393	20,947,267
Total assets	71,663,966	54,978,938
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	341,575	341,575
Reserves		
– Proposed final dividend	2,671,213	1,971,784
– Others	6,211,031	3,567,419
Total equity	9,223,819	5,880,778
LIABILITIES		
Non-current liabilities		
Borrowings	54,936,425	40,524,374
Current liabilities		
Borrowings	6,491,752	7,515,480
Other payables and accrued expenses	978,010	833,733
Amounts due to subsidiaries	33,960	224,573
	7,503,722	8,573,786
Total liabilities	62,440,147	49,098,160
Total equity and liabilities	71,663,966	54,978,938
Net current assets	23,511,671	12,373,481
Total assets less current liabilities	64,160,244	46,405,152

The financial statements on pages 78 to 184 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Hui Wing Mau	**Hui Sai Tan, Jason**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019

44 Balance sheet and reserve movement of the Company *(CONTINUED)*

Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	581,696	288,151	4,949	1,966,604	2,841,400
Profit for the year	–	–	–	7,361,107	7,361,107
Equity-settled share-based payment					
– Value of employee services	–	116,075	–	–	116,075
– Purchase of shares	(97,714)	–	–	–	(97,714)
– Dividend received	12,539	–	–	–	12,539
Buyback of shares					
– Purchase of shares	–	–	–	(1,549,371)	(1,549,371)
– Dividend received	9,069	–	–	–	9,069
– Cancellation of shares	7,289	–	–	–	7,289
2017 final dividend paid	–	–	–	(1,713,359)	(1,713,359)
2018 interim dividend paid	–	–	–	(1,447,832)	(1,447,832)
Balance at 31 December 2018	512,879	404,226	4,949	4,617,149	5,539,203
Representing:					
Proposed final dividend	–	–	–	1,971,784	1,971,784
Others	–	–	–	2,645,365	3,567,419
	–	–	–	4,617,149	5,539,203
Balance at 1 January 2019	**512,879**	**404,226**	**4,949**	**4,617,149**	**5,539,203**
Profit for the year	**–**	**–**	**–**	**7,028,179**	**7,028,179**
Equity-settled share-based payment					
– Value of employee services	**–**	**125,171**	**–**	**–**	**125,171**
– Dividend received	**10,674**	**–**	**–**	**–**	**10,674**
2018 final dividend paid	**–**	**–**	**–**	**(2,031,640)**	**(2,031,640)**
2019 interim dividend paid	**–**	**–**	**–**	**(1,789,343)**	**(1,789,343)**
Balance at 31 December 2019	**523,553**	**529,397**	**4,949**	**7,824,345**	**8,882,244**
Representing:					
Proposed final dividend				**2,671,213**	**2,671,213**
Others				**5,153,132**	**6,211,031**
				7,824,345	**8,882,244**

Notes:

(i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(ii) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 22(c)).

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