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Sunkwan Properties Group Limited
上坤地產集團有限公司
(於開曼群島註冊成立的有限公司)
(「本公司」，股份代號：6900)

發行於2023年到期的222,364,666美元12.25厘優先票據(「票據」)

海外監管公佈

本海外監管公佈乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第13.10B條而刊載。

請參閱隨附的日期為2022年7月16日的要約備忘錄(「**要約備忘錄**」)，內容有關上坤地產集團有限公司(「**本公司**」)發行票據，要約備忘錄可於新加坡證券交易所有限公司的網站查閱。

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承董事會命
上坤地產集團有限公司
主席
朱靜

香港，2022年7月25日

於本公告日期，董事會包括執行董事朱靜女士、盛劍靜女士及楊佔東先生；非執行董事林勁峰先生及林朝虹女士；及獨立非執行董事郭少牧先生、歐陽寶豐先生及周喆人先生。

IMPORTANT NOTICE

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The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129, including as the same 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 communication of the attached document and any other document or materials relating to the issue of the New 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. This document and such other documents and/or materials are for distribution only to persons who (i) 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")), (ii) fall within Article 49(2)(a) to (d) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) 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"). The attached document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached document and any other document or materials 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.

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Sunkwan Properties Group Limited
上坤地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

US$222,364,666
12.25% Senior Notes due 2023
Issue Price: 100%

Subject to the settlement of the Exchange Offer (as defined below), our 12.25% Senior Notes due 2023 (the "New Notes" or "Exchange Notes") will bear interest from and including July 18, 2022 at 12.25% per annum payable in arrears on January 18, 2023 and July 17, 2023. The New Notes will mature on July 17, 2023.

The New Notes are senior obligations of Sunkwan Properties Group Limited (the "Company"), guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than those organized under the laws of the PRC and certain other subsidiaries specified in the section entitled "Description of the New Notes." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time prior to July 17, 2023, we may at our option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes plus a premium (as set out in the section entitled "Description of the New Notes" of this offering memorandum) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to July 17, 2023, we may redeem up to 35% of the New Notes, at a redemption price of 112.25% of the principal amount of the New Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Company. Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), we must make an offer to repurchase all New 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 New Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes, (2) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees."

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

The New Notes are to be issued to exchange (the "Exchange Offer") for at least the Minimum Acceptance Amount of our outstanding 12.25% Senior Notes due 2022 (the "Existing Notes"). Accrued and unpaid interest on any Existing Notes validly tendered by Eligible Holders and accepted for exchange, up to but not including the Settlement Date, will be payable in the form of New Notes rather than cash (such accrued and unpaid interest to be rounded downward to the nearest US$1, the "Capitalized Interest"). The aggregate principal amount of the New Notes to be issued pursuant to the Exchange Offer will be US$222,364,666. We are concurrently conducting a consent solicitation (the "Consent Solicitation") with respect to our outstanding 13.5% senior notes due 2023 (the "Consent Notes"). The Consent Solicitation is not part of the Exchange Offer and is conducted pursuant to a separate consent solicitation statement.

Investing in the New Notes involves risks. Furthermore, investors should be aware that the New Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the New Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the New Notes. See the section entitled "Risk Factors" for risks relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.

Approval-in-principle has been issued by the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of, and permission to deal in, the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in principle from, admission to the Official List of and the listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Exchange Offer, the Company, the Subsidiary Guarantors or any of their respective subsidiaries or associated companies (if any), the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New 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 New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$150,000.

The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) accept full responsibility for the accuracy of the information contained in this offering memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The New Notes are being offered as part of the exchange consideration pursuant to the Exchange Offer only to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

It is expected that the delivery of the New Notes will be made on or about July 18, 2022 through the book-entry facilities of the Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Investors shall not engage in any secondary market trading until the settlement of the Exchange Offer and the issuance of the New Notes are effectuated. See "Risk Factors" and "Offering and Distribution Restrictions."

Dealer Manager

Haitong International

The date of this offering memorandum is July 16, 2022

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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.

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129, including as the same 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 communication of this offering memorandum and any other document or materials relating to the issue of the New 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. This document and such other documents and/or materials are for distribution only to persons who (i) 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")), (ii) fall within Article 49(2)(a) to (d) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) 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"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum and any other document or materials relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Notification under Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") -- Solely in connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**") the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) of the classification of the New Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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 New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the offering of the New Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the offering of the New 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 New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

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

No representation or warranty, express or implied, is made by Haitong International Securities Company Limited (the "Dealer Manager"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "Trustee"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "Paying and Transfer Agent" and the "Registrar" and, collectively, the "Agents") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Dealer Manager, the Trustee, the Agents or any of their respective affiliates, directors or advisors has independently verified any of the information contained in this offering memorandum. They cannot assure that this information is accurate, truthful or complete, and, to the fullest extent permitted by law, none of them accepts any responsibility for the contents of this offering memorandum. This offering memorandum is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Dealer Manager, the Trustee or the Agents as to whether investors should invest in the New Notes.

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

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

We are not making an offer to sell the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the issuance of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this offering memorandum, see the section entitled "Transfer Restrictions" 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 New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

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

Investors shall not engage in any secondary market trading until the settlement of the Exchange Offer and the issuance of the New Notes are effectuated. See "Risk Factors" and "Transfer Restrictions."

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," "our Group" and words of similar import, we are referring to Sunkwan Properties Group Limited itself, or Sunkwan Properties Group Limited 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 our or their respective directors and advisors, and neither we nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and 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"); and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China ("China" or the "PRC").

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.3726 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2021, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7996 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2021. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all.

References to "PRC" and "China," 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 International Financial Reporting Standards (the "IFRS") which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to "2019," "2020" and "2021" in this offering memorandum are to our financial years ended December 31, 2019, 2020 and 2021, respectively.

References to "July 2021 Notes" or "Existing Notes" are to our 12.25% green senior notes due 2022 issued on July 22, 2021.

References to "January 2022 Notes" are to our 13.5% senior notes due 2023 issued on January 3, 2021.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of US$0.000001, in our share capital.

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

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 Hong Kong Stock Exchange, as amended (the "Listing Rules"), which includes: (i) a "subsidiary undertaking" as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 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 IFRS 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, 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, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (國有土地使用權證) 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.

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

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

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

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

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States. We have been further advised by Conyers Dill & Pearman that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that

(a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

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

(i) was obtained by fraud;

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

(iii) is contrary to public policy or natural justice in Hong Kong;

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

(v) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong).

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

SUMMARY

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

OVERVIEW

We are a growing property developer with comprehensive experience focusing on the Yangtze River Delta Economic Region. We commenced our business through our first property project in Shanghai in 2010, and have since then further penetrated in the Yangtze River Delta Economic Region and expanded to other strategically selected regions, namely the Pearl River Delta Economic Zone and the Mid-China Core Economic Region. Adhering to our mission of "coming for livable (為宜居而來)," we have established a good brand image among our customers and in the industry through providing a wide range of residential properties with new technologies and artistic designs that cater to the various needs and preferences of different groups of customers and provide them with a smart, convenient and satisfactory living experience.

Our in-depth understanding of the market and customer preferences and strategic market expansion have contributed to our proven track record and also, increased our ranking from the 94th in 2019 to the 83rd in 2020 in terms of comprehensive strength among the "Top 100 Real Estate Developers in China" according to China Real Estate Top 10 Research Group, and from the 89th in 2019 to the 79th in 2020 and further to 78th in 2021 also in terms of comprehensive strength among the "Top 100 Real Estate Developers in China" according to China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal. Our commitment to quality product design, construction and development has also won us numerous awards and recognition throughout the years of development. We were recognized as one of the "2021 Top 10 China Real Estate Developers in China by Comprehensive Development," one of the "2020 Best 10 of Growth of China Real Estate Developers Brand Value" and one of the "Top 10 Real Estate Developers in China by Business Performance" in 2020 and we were named one of the "Top 10 Real Estate Developers in China by Growth Potential" in 2019 jointly by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal. We were also recognized as "Value Real Estate Enterprise of the Year" by National Business Daily and "2020 Enterprise with Comprehensive Quality in Real Estate" in 2020 jointly by 21st Century Business Herald and Bo'ao 21st Century Real Estate Forum. Furthermore, our solid presence in Shanghai has contributed to our success given its market size, access to finance, premium land parcels and quality talent pool. In 2019, we were ranked the 17th among the "Top 20 Real Estate Developers in Shanghai" jointly by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal.

Leveraging our understandings of the different characteristics among different cities and customer groups, we strive to develop high-quality residential properties for different customer groups. In terms of geographic coverage, we continue to penetrate our existing markets while expanding our distribution at the same time. Our residential property business originated from Shanghai and is deeply rooted in the Yangtze River Delta Economic Region, one of China's most dynamic economic regions with a high degree of openness, innovation and population growth. Through years of development, after first expanding into Jiangsu province in 2016, we subsequently expanded to other first-, second- and strong third-tier cities in the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region. As of December 31, 2021, our residential properties were located in 28 cities in eight provinces and municipalities. To implement our various development strategies to suit the needs in different markets, we offer a wide range of residential properties, including low- and high-rise apartment buildings, townhouses, houses and loft apartments through four standardized product series, namely the Season series (四季系), the Flourish/Peninsula series (樾山/半島系), Mindcloud series (雲系) and the Sumptuous series (S系). Each series caters to the demands of different customer groups with specific market positioning. In particular, in 2020, our Mindcloud series was awarded "2020 TOP 10 Ingenuous and Aesthetic Real Estate Product Series in China" by Leju News. In 2019, our Seasons series was awarded "2019 China Real Estate Brand with Original Products" and "Aesthetic Real Estate Product Series" by China Real Estate Top 10 Research Group and CRIC China, respectively.

While we focus on residential property development as our core business, as part of our development strategy, we also engage in the development of commercial properties to maintain a balanced development portfolio. Our development of commercial properties helps reduce volatility of revenue, diversify risk exposure, derive synergy and deliver stable cash flow for our business operations. As of December 31, 2021, we had investment interests in a commercial or residential property portfolio of eleven projects under various stages of development, including nine projects developed by our subsidiaries and two project developed by our joint venture, and nine of which were located in Shanghai.

Since our inception in Shanghai in 2010, we have been actively seeking suitable property development opportunities to ensure sustainable growth. As of December 31, 2021, we had investment interests in a property portfolio of 67 projects with a total land bank of approximately 7.0 million sq.m. and an aggregate GFA attributable to us of approximately 5.1 million sq.m., of which 42 were developed by us, and 25 were developed by our joint ventures and associates. For the property projects developed by us, GFA attributable to us for completed properties available for sale, lease or investment amounted to an aggregate of approximately 0.5 million sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 3.1 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.1 million sq.m. For the property projects developed by our joint ventures and associates, GFA attributable to us for completed properties available for sale amounted to 0.1 sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 1.3 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.04 sq.m. as of December 31, 2021.

With our high-quality property products, operational efficiency, sound development strategies, professional management team and industry recognized brand image, we experienced business expansion in 2019, 2020 and 2021. We had investment interests in 43, 66 and 72 property projects at various stages of development across 14, 21 and 28 cities in China as of December 31, 2019, 2020 and 2021, respectively. Our revenue amounted to RMB7,535.2 million, RMB8,190.6 million and RMB8,340.1 million (US$1,308.7 million) in 2019, 2020 and the 2021, respectively. Our profit for the year amounted to RMB676.9 million, RMB885.2 million and RMB583.5 million (US$91.6 million) in 2019, 2020 and 2021, respectively.

RECENT DEVELOPMENTS

On January 3, 2022, January 21, 2022 and January 24, 2022, we issued the January 2022 Notes in the aggregate principal amount of US$160.2 million due 2023. See "Description of Other Material Indebtedness — January 2022 Notes" for more details.

On May 31, 2022, we issued the 2021 Environmental, Social and Governance Report.

On January 21, 2022, we have fully redeemed the 12.75% senior notes due 2022 upon maturity.

Concurrently with this Exchange Offer, we are conducting the Consent Solicitation.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on August 21, 2018, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since November 17, 2020 under stock code 6900. Our principal place of business in the PRC is located in Building T1, Sunkwan Center, No. 77, Sunkwan Road, Minhang District, Shanghai, the PRC. Our place of business in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our website is www.sunkwan.com.cn. Information contained on our website does not constitute part of this document.

SUMMARY OF THE NEW NOTES

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the New Notes."

Issuer	Sunkwan Properties Group Limited (the "Company").
New Notes issued	Subject to the settlement of the Exchange Offer, US$222,364,666 in aggregate principal amount of 12.25% senior notes due 2023 (the "New Notes").
Issue Price	100% of the principal amount of the New Notes.
Maturity Date	July 17, 2023.
Interest	The New Notes will bear interest from and including the date of settlement of the Exchange Offer at the rate of 12.25% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 18, 2023 and July 17, 2023.
Ranking of the New Notes	The New 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 New Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations described under "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees" and "Description of the New Notes — The Subsidiary Guarantees and JV Subsidiary Guarantors;" • effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Subsidiary Guarantees	Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes.

The initial Subsidiary Guarantors on the Original Issue Date consist of all of the Restricted Subsidiaries other than those Restricted Subsidiaries organized under the laws of the PRC and the Initial Non-Guarantor Subsidiaries.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. See "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees — Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees."

Any future Restricted Subsidiary, as defined under "Description of the New Notes — Certain Definitions" (other than subsidiaries organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), will guarantee the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 15.0% of the Total Assets.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See "Description of the New Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees." In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) (other than Exempted Subsidiaries or Listed Subsidiaries) do not account for more than 15.0% of the Total Assets.

Ranking of Subsidiary Guarantees ..... The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Ranking of JV Subsidiary Guarantees ..... A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor concurrently with the consummation of (x) a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% of the issued Capital Stock of such Restricted Subsidiary or (y) a purchase of the Capital Stock of an Independent Third Party such that it becomes a Subsidiary and is designated a Restricted Subsidiary. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will:

- be a general obligation of such JV Subsidiary Guarantor;

- be enforceable only up to the JV Entitlement Amount;

- be effectively subordinated to secured obligations (if any) of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee;

- be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Use of Proceeds ..... The Company will not receive any cash proceeds from the offering of the New Notes or the Exchange Offer.

Mandatory Redemption ..... On October 18, 2022, the Company shall redeem the New Notes in the principal amount equal to the amount of the accrued and unpaid interest, from (and including) January 22, 2022 to (but excluding) the Original Issue Date, on the aggregate principal amount of the Existing Notes validly tendered and accepted for exchange pursuant to the Exchange Offer set forth in the exchange offer memorandum of the Company dated July 8, 2022 (as amended, supplemented or modified as of the Original Issue Date), and the accrued and unpaid interest on such New Notes from (and including) the Original Issue Date to (but excluding) October 18, 2022.

Optional Redemption.....	At any time and from time to time prior to the Stated Maturity of the New Notes, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the New Notes to be redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.
Repurchase of New Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding New Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Redemption for Taxation Reason....	Subject to certain exceptions, the Company may redeem the New Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the New Notes — Redemption for Taxation Reasons."
Covenants.....	The New Notes and the Indenture limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the New Notes — Certain Covenants."
Carve-outs to Events of Default	The events of default provisions under the New Notes will carve out the default of the Existing Notes and other defaults whose occurrence is as a result of any default or event of default under the Existing Notes. See "Description of the New Notes — Events of Default."

Amendments and Waiver of the Indenture	Certain major terms of the Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, including the reduction of the principal amount of, or premium, if any, or interest on, any New Note, the release of any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture. See "Description of the New Notes – Amendments and Waiver – Amendments With Consent of Holders" and "Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – Certain major terms of the Indenture may be modified, amended or waived with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, which may adversely affect the interest of the holders of the New Notes and increase the credit risks of the New Notes."
Transfer Restrictions	The New 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 New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$150,000 of principal amount and integral multiples of US$1 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.
Clearance and Settlement	The New 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 New Notes — Book-Entry; Delivery and Form."
Listing	Approval-in-principle has been issued by the SGX-ST for the listing of, and permission to deal in, the New Notes on the SGX-ST. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New 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 New Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$150,000.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Paying and Transfer Agent and Registrar	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Governing Law	The New Notes and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see "Risk Factors."
Security Codes	**ISIN**: XS2502819274 — **Common Code**: 250281927

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for 2019, 2020 and 2021 and the summary consolidated statement of financial position data as of December 31, 2019, 2020 and 2021 set forth below (except for EBITDA data) have been derived from our consolidated financial statements as of and for the year ended December 31, 2020 and 2021, as audited by Ernst & Young, the independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. 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. Also, the Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results of operations in future years.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA

	Year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US$
				(unaudited)
REVENUE	7,535,159	8,190,576	8,340,071	1,308,739
Cost of sales	(4,464,234)	(6,396,196)	(7,167,914)	(1,124,802)
GROSS PROFIT	3,070,925	1,794,380	1,172,157	183,937
Finance income	15,804	17,313	83,849	13,158
Other income and gains	11,242	8,320	96,891	15,204
Selling and distribution expenses	(213,653)	(240,058)	(267,339)	(41,951)
Administrative expenses	(250,741)	(277,508)	(323,303)	(50,733)
Impairment losses on financial assets	(390)	950	(1,286)	(202)
Other expenses	(3,159)	(7,181)	(13,523)	(2,122)
Fair value gains on investment properties	175,812	102,537	48,448	7,603
Fair value gains/(losses) on financial assets at fair value through profit or loss	1,883	368	(74,220)	(11,647)
Finance costs	(261,734)	(301,971)	(322,520)	(50,610)
Share of profits and losses of:				
Joint ventures	15,753	160,965	34,465	5,408
Associates	(8,237)	73,933	(11,710)	(1,838)
(LOSS)/PROFIT BEFORE TAX	2,553,505	1,332,048	421,909	66,207
Income tax credit/(expense)	(1,876,616)	(446,886)	161,597	25,358
PROFIT FOR THE YEAR	676,889	885,162	583,506	91,565
Profit attributable to:				
Owners of the parent	219,532	356,064	250,057	39,239
Non-controlling interests	457,357	529,098	333,449	52,325
	676,889	885,162	583,506	91,565
Other financial data (unaudited)				
EBITDA[(1)]	3,575,040	2,434,896	2,095,242	328,629
EBITDA margin[(2)]	47.4%	29.7%	25.1%	25.1%

Notes:

(1) EBITDA consists of profit before taxation plus amortization of intangible assets, interests capitalized, finance costs, depreciation of right-of-use assets and depreciation of property, plant and equipment. EBITDA is not a standard measure under IFRS. 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. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to 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. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the New Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

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

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US$
		(in thousands)		(unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	150,155	143,721	137,837	21,630
Right-of-use assets	4,472	1,777	2,438	383
Investment properties	2,918,400	3,245,600	2,483,200	389,668
Intangible assets	1,966	2,166	1,321	207
Investments in joint ventures	94,333	357,174	612,502	96,115
Investments in associates	142,283	1,584,016	1,972,217	309,484
Deferred tax assets	792,648	521,353	616,919	96,808
Total non-current assets	4,104,257	5,855,807	5,826,434	914,295
CURRENT ASSETS				
Properties under development	10,859,280	12,495,168	19,739,521	3,097,562
Completed properties held for sale	1,051,766	1,562,937	784,269	123,069
Trade receivables	46,661	25,913	23,879	3,747
Due from related companies	1,997,139	1,341,958	4,909,111	770,347
Due from a shareholder	–	–	–	–
Contract cost assets	52,438	51,497	174,931	27,450
Prepayments, other receivables and other assets	3,056,757	3,474,502	4,031,040	632,558
Tax recoverable	172,866	267,134	292,665	45,926
Financial assets at fair value through profit or loss	55,528	113,209	110,597	17,355
Restricted cash	2,360,661	1,768,413	1,471,491	230,909
Pledged deposits	50,145	199,881	64,828	10,173
Cash and cash equivalents	1,073,499	3,365,194	2,946,780	462,414
Total current assets	20,776,740	24,665,806	34,549,112	5,421,510
CURRENT LIABILITIES				
Trade and bills payables	1,652,322	1,714,898	2,101,183	329,721
Other payables and accruals	1,109,077	2,571,598	3,184,260	499,680
Contract liabilities	8,329,464	8,001,562	13,741,819	2,156,391
Due to related companies	631,642	539,125	695,846	109,193
Interest-bearing bank and other borrowings	4,243,248	2,329,620	3,147,335	493,886
Provision for financial guarantee contracts	–	–	35,303	5,540
Senior notes	–	–	2,633,520	413,257
Tax payables	3,349,387	2,417,983	1,297,608	203,623
Lease liabilities	34,307	32,277	30,014	4,710
Total current liabilities	19,349,447	17,607,063	26,866,888	4,216,001
NET CURRENT ASSETS	1,427,293	7,058,743	7,682,224	1,205,509
TOTAL ASSETS LESS CURRENT LIABILITIES	5,531,550	12,914,550	13,508,658	2,119,803
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	2,523,009	6,415,748	5,444,218	854,317
Deferred tax liabilities	163,512	161,715	187,165	29,370
Lease liabilities	82,357	54,518	25,169	3,950
Total non-current liabilities	2,768,878	6,631,981	5,656,552	887,636
NET ASSETS	2,762,672	6,282,569	7,852,106	1,232,167
EQUITY				
Equity attributable to owners of the parent				
Share capital	11	14	14	2
Reserves	860,019	2,279,483	2,501,209	392,494
	860,030	2,279,497	2,501,223	392,496
Non-controlling interests	1,902,642	4,003,072	5,350,883	839,670
TOTAL EQUITY	2,762,672	6,282,569	7,852,106	1,232,167

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we foresee. 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 occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the New Notes, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and prospects are heavily dependent on and may be adversely affected by the state of the real estate market in China, particularly in the Yangtze River Delta Economic Region.

Our business and prospects depend on the performance of the real estate market in China. As of December 31, 2021, we had investment interests in a total of 67 property projects located in 28 cities in eight provinces and municipalities across three core economic regions in China with an aggregate site area of approximately 3.4 million sq.m., a total land bank of approximately 7.0 million sq.m. and an aggregate GFA attributable to us of approximately 5.1 million sq.m. In particular, we are heavily relied on the real estate markets in the Yangtze River Delta Economic Region, especially in Shanghai. As of December 31, 2021, nearly 59% of the aggregate GFA attributable to us was located in the Yangtze River Delta Economic Region.

As we intend to expand our property project portfolio strategically and prudently in the future, our business, financial condition and results of operations may be particularly subject to market uncertainties, volatility and significant adverse changes in the real estate market in China, especially in the Yangtze River Delta Economic Region where a substantial share of our business is located. The real estate markets may be affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. For example, there have been increasing concerns over the sustainability of the real estate market growth in China due to the recent slowdown in China's economic growth. Factors such as decrease in available funds and investor confidence may negatively impact demand for the properties we developed. As a result, the property market may experience over-supply of properties and idle housing inventory. Any over-supply of properties or any potential decline in the demand for or prices of properties in the cities in which we operate or intend to operate could have a material adverse impact on our business, financial condition and results of operations. In addition, recent negative news relating to certain Chinese property companies have had a significant effect on the property sector in China. Such developments may have an adverse impact on property sales in China and the ability of Chinese property companies to obtain financing, including us.

We may not be able to acquire land reserves in desirable locations that are suitable for our development at commercially acceptable prices, or at all.

The sustainable growth and success of our business depend significantly on our ability to continue to acquire additional land reserves in desirable locations at commercially reasonable prices that are suitable for our projects. We have acquired land for certain projects through the listing-for-sale process, auctions and public tenders and for certain projects from third parties by acquiring equity interests in companies that possess land use rights. We also cooperated with third-party business partners through joint ventures and associates to participate in land acquisition.

Our ability to acquire land depends on a variety of factors, such as the overall local economic conditions, the availability of land parcels provided by the government, our effectiveness in identifying and acquiring land parcels that are suitable for our development. The availability and price of land sold at land auctions held by local governments depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in China. Furthermore, the rapid development in certain cities we plan to enter in recent decades has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs. As a result, our cost for acquiring land use rights may further rise in the future. If we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that enable reasonable economic returns to us, or at all, our business, financial condition, operating results and prospects may be materially and adversely affected.

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

More recently, on May 21, 2021, the Ministry of Finance (the "MOF"), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the "STA") and the 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, will be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from July 1, 2021 in certain selected provinces and will be carried out nationwide from January 1, 2022. We cannot assure you that such scheme will not have any material impact on the regional and local government's land grant process and other aspects of property development in general in the PRC, which may in turn adversely affect our operations in the regions affected.

Our business and prospects are heavily dependent on and may be adversely affected by our non-wholly-owned subsidiaries consolidated through voting right arrangements.

We held no more than 50% of the equity interest in some of the project companies but we were able to consolidate those project companies as subsidiaries into our Group by obtaining majority of the voting rights in those project companies through voting right arrangements with our business partners. In 2019, 2020 and 2021, we entered into voting right arrangements with our business partners, eight of them recorded revenue of RMB6,497.5 million, RMB4,508.6 million and RMB4,506.7 million (US$706.9 million) in 2019, 2020 and 2021, respectively, accounting for 86.2%, 56.1% and 55.2%, respectively, of our total revenue during the respective period. We recorded a net profit attributable to non-controlling interests of RMB457.4 million, RMB529.1 million and RMB333.4 million (US$52.3 million) in 2019, 2020 and 2021, respectively, accounting for 67.6%, 59.8% and 57.1%, respectively, of our total profit for the relevant period. See "Business — Our Property Projects — Voting Right Arrangements" for details.

Since such voting right arrangements with our business partners were established through negotiation on the basis of business goodwill and mutual cooperation, we cannot assure you that we will be able to sustain such business relationship and fulfill all of our contractual obligations under such arrangements at all times. Conflicts and material disputes may arise between our business partners and us and there can be no assurance that we can maintain our current voting right arrangements with our existing business partners or that we will be able to successfully establish the same strategic relationships with new business partners in the future. Similarly, there can be no assurance that we can maintain our relationships with the new shareholders of our business partner or if they can continue to honor their contractual obligations under the voting right arrangements. In addition, under our typical voting right entrustment agreements, our business partner may demand in writing to terminate the agreement unilaterally if we are found to be in material violation of laws, rules and regulations, or that we have caused material harm or damage to the overall interests of the project companies.

Therefore, if our cooperation with our business partners in these projects deteriorates or terminates, our business, financial condition and results of operations might be materially and adversely affected. In particular, since we can no longer consolidate these project companies as our subsidiaries into our financial statements, our future consolidated financial performance, such as consolidated revenue and profit, may experience a significant decrease as compared to our historical financial performance.

We may not have adequate financings to fund our property development, and such capital resources may not be available on commercially reasonable terms, or at all.

Property development is capital-intensive and we expect to continue to incur a high level of capital expenditures in the foreseeable future. We financed our property projects primarily through (i) internally generated cash flows including proceeds from pre-sales and sales of our properties and (ii) external financings, such as borrowings from commercial banks, asset management, trust financing, and other financing arrangements. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including but not limited to changes in the monetary policies of the PRC government with respect to interest rates and lending practices, changes in policies regarding regulation and control of the real estate market and trust financing arrangements as well as changes in prevailing and future international and domestic financial market conditions and financing availability.

The PRC government has implemented a number of measures to manage money supply growth and credit availability. For example, according to the General Lending Provisions (《貸款通則》), a regulation promulgated by People's Bank of China (中國人民銀行) (the "PBOC") in 1996, only financial institutions with the approval from the PBOC to provide loan services may legally engage in the business of extending loans and loans between companies that are not financial institutions with the approval from the PBOC to provide loan services are prohibited, which may not comply with the General Lending Provisions notwithstanding whether interests are charged or not. In August 2020, the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. The "Three Red Lines" policy was set up in relation to financings for real estate enterprises. The "Three Red Lines" refers to the financial performance of a real estate enterprise: (1) liabilities to assets ratio after excluding the advances received shall not exceed 70 per cent.; (2) net debt to equity ratio shall not be greater than 100 per cent.; and (3) cash to short term borrowing ratio shall not be less than 1. Availability of financing for property developers may be restricted if they do not meet such ratios.

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

In addition, similar to other property developers in the PRC, we have secured certain of our loans in the ordinary course of business by pledging our partial or entire equity interests in certain subsidiaries to third party trust financing providers, who acted as loan providers. Such secured loans were obtained mainly for the purpose of financing our project development, repayment of other borrowings and/or our general working capital, but not for acquiring land use rights. If we are in default of certain undertakings or restrictive covenants, or if we cannot fulfill our repayment obligations for the secured indebtedness, these trust financing providers shall be entitled to exercise certain rights as provided under the relevant agreements, including but not limited to disposing of the pledged equity interests in the relevant subsidiaries. As a result, we may lose part or all of our equity interests in the relevant subsidiaries. Nevertheless, unlike typical bank borrowing arrangements, such business arrangements with trust financing providers, in particular with the abovementioned pledge, may face more stringent government control or may not be permitted in the future due to potential changes in the government policies and regulations governing financing arrangements in the real estate market. If so, our ability to obtain external financing may be further restricted.

With respect to the property development sector, we are limited as to the development activities in which such financing can be used. In addition, the amount, timing and cost of funding available to us are also adversely affected, so are the collaterals used to secure such financing. See "Regulation — Real Estate Financing" for details. These measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans, asset management, trust financing, and other financing arrangements to finance our property projects. In addition, we cannot assure you that the PRC government will not introduce other initiatives or implement more stringent measures in the future to control risks in loan growth, which may further limit our access to capital and the means we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. All of the above will materially and adversely affect our business, financial condition and results of operations.

There is material uncertainty relating to our ability to continue as a going concern.

We have evaluated the whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt and the company's ability to continue as a going concern within one year after the date that the financial statements of the Group are issued.

As of December 31, 2021, the Group's current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB5,780.9 million, while its cash and cash equivalents amounted to RMB2,946.8 million. Accordingly, our financial statements for the year ended December 31, 2021 have been prepared on a going concern basis.

We anticipate that the market condition in the real estate sector will remain under pressure in 2022, and therefore, in the absence of a sharp recovery in the market and a resurge of various financing options, we remain cautious about our liquidity in the near term. Our sustainable operation ability and liquidity are subject to changes in the macroeconomic environment, industry environment and credit environment, and may be adversely affected by the impact of multiple waves of the COVID-19 pandemic. There is no assurance that we will be successful in generating sufficient cash flows or improving our financial position in the near future or at all. For further details, please refer to the Company's annual report for the year ended December 31, 2021.

We generate revenue principally from the sales of properties, and our ability to benefit from a property development project may fluctuate, as it will depend on our property development project type and schedule as well as the timing of sales for such project.

Historically, we have derived our revenue principally from the sales of properties we developed and we expect that sales of properties will continue to account for a substantial percentage of our revenue in the coming years. In 2019, 2020 and 2021, we generated 98.9%, 98.1% and 97.8% of our revenue from the sales of properties, respectively.

With respect to the revenue we generated from the sales of properties, we price our properties by taking into account various factors, including prevailing local market prices, supply and demand conditions, the type and positioning of properties being developed. Therefore, our property mix at different regions will affect our financial performance. As a result, our results of operations have varied and may continue to vary significantly from period to period depending on the type of properties we develop over a particular period of time.

Furthermore, according to our accounting policies, revenue of sales of properties is recognized at the point in time when customers obtain the physical possession or the legal title of the completed properties and our right to payment and collection of the consideration is probable. We recognize our revenue at a point in time, depending on the type of properties and the revenue generated, typically takes us one to two years from commencement of pre-sale to the construction completion of our properties before we recognize revenue from such projects. Therefore, our ability to benefit may fluctuate due to factors such as the schedule of our property development, the market demand for our properties and the timing of property sales. Consequently, our results of operations for any given period only reflect decisions made by our customers some time ago due to the timing of our revenue recognition and may not be indicative of our actual operating results during such period. In addition, cyclical property market in China affects the optimal timing for the acquisition of land, development planning and the sales of properties. Such cyclicality, together with the time required and statutory time limits for the completion of projects and the sales of properties, causes our results of operations relating to property development activities susceptible to significant fluctuations from period to period. As a result, it can be difficult to predict our future performance.

We may not be successful in managing our growth and expansion into new cities and regions or new businesses.

We experienced a continuous growth in recent years. In order to achieve long-term sustainable growth, we need to continue to seek development opportunities in selected regions in China with potential for growth and where we have no existing operations. Our historical focus was primarily on the development of residential property projects in Shanghai and we started expanding our property development into other cities in 2016. Currently, we intend to continue to expand our penetration into the major cities in the Yangtze River Delta Economic Region, and enhance our presence in the Pearl River Delta Economic Zone and Mid-China Core Economic Region. Additionally, we have expanded and will continue to expand our business operations from development of residential properties to commercial properties.

Expanding into new geographical locations and new businesses involves uncertainties and challenges as we may be less familiar with the local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would create competition with developers who have a better-established local presence or greater access to local labors, expertise and knowledge. Furthermore, the construction-, market- and tax-related regulations in our target cities may be distinguishably different and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments. Entering into new cities may also subject us to higher land acquisition and development costs.

As we face challenges not previously encountered, we may fail to recognize or properly assess risks, take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities which we expand into or matching the behaviors or expectations of our residents in those cities. We may also have difficulty in promoting and maintaining high occupancy rates and/or rental rates in the investment properties that we are currently developing.

In addition, expanding into new geographical locations and new businesses requires a significant amount of capital and management resources. We may not be able to manage the growth of our workforce to match the expansion of our business, and accordingly, we may experience issues such as capital constraints, construction delays, and lack of skilled and qualified personnel. Any of such factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our current and future indebtedness level and the associated covenants may restrict our ability to seek additional capital resources.

As of December 31, 2019, 2020 and 2021, our total interest-bearing bank and other borrowings amounted to RMB6,766.3 million, RMB8,745.4 million and RMB8,591.6 million (US$1,348.2 million), respectively. To improve our debt structure and strengthen our balance sheets management, we intend to repay these short-term borrowings by operating cash generated from our businesses or part of the proceeds from the initial public offering, and to seek to repay some of the short-term borrowings and replace with some long-term borrowings. Nevertheless, our current indebtedness may, among other things, (i) limit our ability to obtain the necessary financing on favorable terms to fund our future capital expenditures; (ii) increase our vulnerability to adverse economic or industry conditions; (iii) reduce our competitiveness; and (iv) limit our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate.

In addition, we are subject to certain customary restrictive covenants under our credit facilities with commercial banks. Certain of our loan contain restrictive covenants which include, among other things, (i) that the borrower must notify the lender or obtain consent from the lender prior to incurring additional indebtedness, or division, merger, joint venture, reorganization, application for bankruptcy, change of registered capital and other material events that may affect the borrower's ability to repay the loans; (ii) that the borrower must obtain consent from the lender before providing guarantees in favor of any third party and before making advanced payment of the outstanding principal and interest and must not conduct any activities which may adversely affect its financial condition and its performance of the obligations under the loan or borrowing agreement and (iii) the borrower must not change the use of the borrowings without the prior consent of the lender. Furthermore, certain of our other loans are secured by pledging our partial or entire equity interests in the relevant subsidiaries as

collateral to independent trust financing providers. If we are in default of certain undertakings and restrictive covenants, or that we cannot fulfill our repayment obligations for the secured indebtedness, our trust financing providers shall be entitled to exercise certain rights as provided under the relevant agreements, including but not limited to disposing of the pledged equity interests in the relevant subsidiaries. As a result, we may lose part or all of our equity interests in the relevant subsidiaries. These restrictions may limit our ability to pay dividends or make other distributions in the future. Pursuant to certain asset management, trust financing and other financing agreements, the lenders also have veto rights over some of our corporate actions aforementioned, which will further limit our flexibility of operation and ability to raise additional funding.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development. We may also utilize proceeds from additional debt financing to acquire land resources, which could intensify the risks we face as a result of our indebtedness. 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, among other things, prevailing economic conditions, PRC governmental regulations, demand for properties in regions we operate and other factors, many of which are beyond our control. Therefore, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain additional financing.

Our business operations are highly capital intensive and require a significant amount of liquidity. To that end, we maintained a substantial level of borrowings to finance our operations in 2019, 2020 and 2021, and expect to incur additional indebtedness in the future to fund our property projects. However, we cannot guarantee that the PRC government will not introduce new laws or regulations on certain financing related financial ratios, which could materially adversely affect our ability to incur additional indebtedness.

For example, recently, there was news mentioning that the PBOC plans to control the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers. The proposed standard sets out limits for three financial ratios of property developers. In particular, under such new standard, for a property developer, (i) its liability asset ratio (excluding contract liabilities), calculated as dividing total liabilities (excluding contract liabilities) by total assets (excluding contract liabilities), shall not exceed 70%; (ii) its net gearing ratio shall not exceed 100%; and (iii) its ratio of cash and bank balances divided by the current portion of interest-bearing bank and other borrowings shall not be lower than 1.0.

The proposed standard further stipulates that (i) for property developers which comply with all the abovementioned three limits, their annual growth rate of interest-bearing debts shall not exceed 15%; (ii) for property developers which only comply with two of the abovementioned three limits, their annual growth rate of interest-bearing debts shall not exceed 10%; (iii) for property developers which only comply with one of the abovementioned three limits, their annual growth rate of interest-bearing debts shall not exceed 5%; and (iv) for those property developers which fail to comply with any of the abovementioned three limits, their amount of interest-bearing debts shall not exceed their amount of interest-bearing debts as of June 30, 2019. In the event that the abovementioned standard proposed by the PBOC comes into effect, we may fail to comply with one of the abovementioned three limits, namely the liability asset ratio (excluding contract liabilities), and our ability to obtain additional financing may be materially adversely affected.

Failure to secure sufficient external financing may hinder our ability to implement our business strategies, acquire land parcels and complete the development of our property projects. In addition, if we were to be limited the annual growth rate of interest-bearing debts, we may not be able to draw down on credit facilities before we repay existing debts, and may need to slow down our land acquisition activities to ensure that we would have sufficient cash to complete the existing property projects. As such, our business, financial condition and results of operations may be materially adversely affected.

We may be adversely affected by material issues that affect our cooperation with business partners.

We have entered into joint ventures and associates with third parties and may continue to do so in the future. The performance of such joint ventures and associates has affected, and will continue to affect, our financial condition and results of operations. As of December 31, 2021, we recorded amounts due from related companies of RMB4,909.1 million (US$769.9 million). We and our business partners provided capital to our joint venture or associate project companies in proportion to our shareholding percentages in order to fund such project companies' land acquisition efforts and working capital requirements. Once these project companies commence pre-sale and generate cash flow, they will repay such capital to us on demand. Therefore, the timing of such project companies' capital requirements, their financial performance and ability to repay may materially and adversely affect our results of operations. We generally expect to incur share of loss in such joint ventures or associates until their respective development of property projects completes and starts to contribute revenue. As of December 31, 2019, 2020 and 2021, our investments in joint ventures and associates amounted to RMB236.6 million, RMB1,941.2 million and RMB2,584.7 million (US$405.4 million), respectively.

The success of a business cooperation depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our cooperation with business partners. In addition, in accordance with PRC laws, our business cooperation agreements and the articles of association of our project companies, certain matters require the consent of all parties to the project companies. Therefore, such business cooperation agreements involve a number of risks, including that:

- we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our project companies if there is a disagreement between us and our partners;
- we may disagree with our partners in connection with the scope or performance of our respective obligations under the business cooperation agreements;
- our partners may be unable or unwilling to perform their obligations under the business cooperation agreements with us, including their obligations to make required capital contributions and shareholder loans, whether as a result of financial difficulties or other reasons;
- our partners may have economic or business interests or goals and philosophies inconsistent with ours;
- our partners may take actions contrary to our requests, instructions, policies or objectives with respect to our property investments; or
- our partners may face financial or other difficulties affecting their ability to perform their obligations under the relevant business cooperation agreements with us.

In addition, since we do not have full control over the business and operations of these project companies, we cannot assure that they have been, or will be in strict compliance with all the applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to these project companies or they will not violate PRC laws and regulations, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

Our investments in joint ventures and associates may subject us to risks, including the associated liquidity risk if we are not able to receive dividends from our joint ventures or associates.

We from time to time develop property projects jointly with third parties by establishing joint ventures or associates. At the early stage of project development, we provide capital contribution as well as cash input to project companies formed by our business partners and us to support the development and operations of the property projects. We generally expect to incur share of loss in such joint ventures or associates until their respective development of property projects completes and starts to contribute revenue. In light of our rapid growth in business scale and cooperation with joint ventures and associates, the carrying amount of such investments was significant to us in 2019, 2020 and 2021. As of December 31, 2019, 2020 and 2021, our investments in joint ventures and associates amounted to RMB236.6 million, RMB1,941.2 million and RMB2,584.7 million (US$405.6 million), respectively. As of the same dates, the total amounts due from joint ventures and associates were RMB1,736.2 million, RMB1,342.0 million and RMB4,909.1 million (US$770.3 million), respectively.

Furthermore, even if profits of our joint ventures and associates are recognized, such share of profits will not result in additional cash inflow without the declaration of dividends from such joint ventures and associates. Therefore, we may not receive any final remittance of surplus funds, which is typically in the form of dividend distribution, from these joint ventures and associates until declaration of dividends. Such declaration will be at the discretion of the boards and shareholders of the joint ventures and associates and therefore not within our control. Moreover, payments of dividends by our joint ventures and associates may be subject to restrictions under PRC laws or covenants contained in agreements such as bank facility agreements to which they are subject to. Accordingly, our investments in these joint ventures and associates are not as liquid as our investments in our subsidiaries. As we invest and expect to continue investing in joint ventures and associates for our property development, our liquidity may be restricted if we are not able to receive dividends from our existing or future joint ventures or associates, which could materially and adversely affect our ability to conduct our business, and the performance of our financial condition and results of operations.

We are subject to credit risk arising from amounts due from our joint ventures and associates and amounts due from non-controlling shareholders of the subsidiaries.

In order to support the business operations of our joint ventures and associates, we recorded amounts due from our joint ventures and associates of RMB1,736.2 million, RMB1,342.0 million and RMB4,909.1 million (US$769.9 million) as of December 31, 2019, 2020 and 2021. We make periodic assessments on the amounts due from our joint ventures and associates mainly based on historical settlement record.

In addition, our non-wholly-owned subsidiaries, which are project companies formed by our business partners and us, also made cash advances to independent third party non-controlling shareholders. As part of our cooperation arrangements to support each party's financing and operation needs, our business partners and we are entitled to receive interest-free cash advances in an amount in proportion to our respective shareholding percentages in such project companies from the surplus funds. Therefore, we recorded amounts due from non-controlling shareholders of subsidiaries of RMB2,483.0 million, RMB1,756.2 million and RMB2,397.2 million (US$376.0 million) as of December 31, 2019, 2020 and 2021, respectively.

However, the risk of recoverability is inherent in our outstanding balances from such amounts, as the ability of the joint ventures and associates as well as our business partners to repay us depends on a number of factors, such as their financial condition and compliance with applicable laws and regulations, most of which are beyond our control. As a result, we may not be able to recover the amounts due from our joint ventures and associates which may have a material adverse effect on our business, financial condition and results of operations.

Net changes in fair value of financial assets are linked to market and therefore subject to uncertainties of accounting estimates in the fair value measurement and the use of significant unobservable inputs in the valuation techniques.

We recognized financial assets at fair value through profit or loss from (i) investments in wealth management products for treasury management purposes, (ii) an investment in a fund focusing on the real estate business in China throughout 2019, 2020 and 2021, which was classified as held for trading on our financial statements and (iii) a contingent consideration for the business combination in connection with our acquisition of Shanghai • Sunkwan International Plaza, which was settled in March 2020. We recorded a net gain from financial assets at fair value through profit or loss in the amount of RMB1.9 million and RMB0.4 million and net loss of RMB74.2 million (US$11.6 million) in 2019, 2020 and 2021, respectively, and the fair value of such financial assets was in an amount of RMB55.5 million, RMB113.2 million and RMB110.6 million (US$17.3 million) as of December 31, 2019, 2020 and 2021, respectively. Such financial assets are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated statements of profit or loss and other comprehensive income, therefore directly affecting our results of operations. There is no assurance that we will not incur fair value losses in the future. If we incur significant fair value net changes, our financial condition, results of operations and prospects may be adversely affected.

We recorded negative net operating cash flow in 2020 and 2021, which may limit our liquidity and business expansion capabilities.

We recorded negative net cash flow from operating activities of RMB244.6 million and RMB904.4 million (US$141.9 million) in 2020 and 2021, respectively, primarily as a result of significant cash used in operations due to our continued increase in properties development activities. We cannot assure you that we will always be able to match the timing and amount of our cash inflows with the timing and amounts of our payment

obligations and other cash outflows. Negative operating cash flow may require us to obtain sufficient additional financing to meet our financing needs and obligations and support our expansion plans. In the event that we are unable to generate sufficient cash flow for our operations or otherwise obtain sufficient external funds to finance our business, our liquidity and financial condition may be materially and adversely affected and we may not be able to expand our business as expected. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our historical financial growth, including revenue and profit margin growth, may not be indicative of our future financial performance.

Our historical financial information is a mere analysis of our past performance and does not have any implication or may not necessarily reflect our financial performance in the future. Our business and financial prospect will depend on our capability to secure new property development opportunities and deliver existing property projects according to their development schedule and to control our costs.

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial source of our total revenue. Our operating results for any given period primarily depend on the recognized GFA and the ASP of the properties we recognize during such period and the market demand for those properties. Conditions of the property markets change from period to period and are affected by the economic, political and regulatory developments in China in general as well as in the cities and regions in which we operate. Our recognized GFA fluctuates from period to period depending on the size of the projects and the stage of their development. The recognized ASP of our properties may also fluctuate from period to period depending on the ASP for properties in cities and regions where we develop and sell property projects. Due to the abovementioned factors, our gross profit for 2021 was lower than that for 2020.

Furthermore, we recorded a relatively higher gross profit margin of 40.8% and 21.9% in 2019 and 2020, respectively, as compared to that of 2021. Such higher gross profit margin in 2019 and 2020 was primarily due to the relatively higher ASP and the relatively lower average land use right cost per sq.m. associated with the property projects we delivered in the same period. During recent years, the land acquisition costs from list-for-sale, auctions and public tenders are generally higher than that from acquiring equity interests in companies that possess land use rights. Therefore, more and more property developers are actively looking for suitable acquisition opportunities in the market. Leveraging the industry foresight and experience of our management team, we were able to seize such acquisition opportunity and to negotiate relatively favorable terms during the acquisition of Shanghai Sheshan Country Club.

However, there is no assurance that our financial performance, in the future will remain at a level comparable to those recorded in 2019, 2020 and 2021. If we fail to secure new property development opportunities, deliver existing property projects according to their development schedule or control our cost, or fail to maintain our profit margin at a comparable level, our business, financial condition and results of operations may be materially and adversely affected.

Our business operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the property industry in China and in regions in which we operate.

Our business is subject to extensive governmental regulations and, in particular, we are sensitive to policy changes in the property market in China. The PRC government exerts considerable direct and indirect influence on the growth and development of the property market in China through industry policies and other economic measures such as setting interest rates, controlling the supply of land for property development, changing bank reserve ratios, implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. In recent years, various control measures have been promulgated by central and local governments aiming at cooling the property sector and there is no assurance that further measures may be adopted to regulate this sector. These measures, including policies restricting individual home purchasers from acquiring second or more residential property and policies restricting the availability of individual loans to individuals and their family members with more than one residential property, have increased our costs of land acquisition and made the properties we developed more costly, unattractive or even unavailable to certain of our customers. See "Regulation — Real Estate Financing" for more details.

In August 2020, the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises. The "Three Red Lines" policy was set up in relation to financings for real estate enterprises. The "Three Red Lines" refers to the financial performance of a real estate enterprise: (1) liabilities to assets ratio after excluding the advances received shall not exceed 70 per cent.; (2) net debt to equity ratio shall not be greater than 100 per cent.; and (3) cash to short term borrowing ratio shall not be less than one. Availability of financing for property developers may be restricted if they do not meet such ratios.

We cannot assure you that such measures will not have a negative impact on our business or that the demand for new properties in cities and regions where we have or will have operations will continue to grow in the future or that there will not be over-development or market downturn in the property market in China. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales in response, such policy and market condition changes may dampen our contracted sales, result in the defer of our pre-sale schedules, and cause us to lower our ASPs and/or incur additional costs, in which case our operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially and adversely affected.

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations.

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks, asset management, and trust financing providers. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As all of our borrowings are in Renminbi, the interest rates on our borrowings are affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. Our interest on interest-bearing bank and other borrowings incurred in 2019, 2020 and 2021 were RMB763.9 million, RMB772.4 million and RMB1,324.3 million (US$207.7 million), respectively. In 2019, 2020 and 2021, our finance costs were RMB261.7 million, RMB302.0 million and RMB322.5 million (US$50.6 million), respectively. Most of the interest costs incurred were capitalized. In addition, some of our current bank loans and other borrowings are subject to restrictive covenants linked to our financial performance. Therefore, any future increases in the PBOC benchmark interest rate as a result of government policies may lead to higher lending rates, which may increase our financing costs, trigger the application of the restrictive covenant regime and subject our business, financial condition and results of operations to consequential adverse impact.

Our financial condition and results of operations may be materially impacted by gains or losses arising from changes in the fair value of our investment properties.

We are required to reassess the fair value of any investment properties that we hold. 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 differences in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the period when they arise and the impact may be significant.

The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations and the changes of significant unobservable inputs in the valuation techniques. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. On the other hand, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

The real estate industry in China is highly competitive.

There are a large number of property developers in China and we expect the level of competition to increase over time, especially as new players enter the market and existing players expand, merge, reorganize and become more established. Intense competition among property developers in China for land, financing, construction materials and skilled management and human resources may result in an increased cost for land acquisition and construction, oversupply of properties available for sale, decrease in property prices, slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and increase in administrative costs for hiring or retaining qualified contractors and personnel. Although our Directors, senior management and key personnel are experienced professionals in their respective fields, we are still relatively young compared to other more established property developers in China. Many of our competitors, including top-tier domestic developers and overseas developers, may be more competitive in terms of scale, client base, resources, brand reputation and industry influence. Domestic and overseas property developers have entered the real estate markets where we have operations. If we fail to compete effectively, our business, financial condition and results of operations will suffer.

We may be subject to losses for properties under development and completed properties held for sale due to construction and sales schedule as well as the volatility in the real estate market.

We may be subject to losses for properties under development and/or completed properties held for sale due to a number of factors, including but not limited to delays in construction and sales schedule and changes in the real estate market. The losses may be recognized from (i) property projects that incurred development costs in their early stage of development but recorded or are expected to record profits over their full development cycle, and (ii) property projects that are expected to record losses over their full development cycle due to their relatively lower revenue expected to be received from sales of properties than their development costs incurred. In general, properties under development require us to increase our investment and resources in development and pre-sale activities. We also need to make provision for properties under development based on our estimates of selling prices, the development costs under development and the costs to be incurred in selling the properties based on prevailing market conditions.

In particular, if we fail to complete the construction or sell the properties in time at our desired prices, the volatility of the real estate market may subject us to risks in connection with possible impairment losses for properties under development as well as completed properties held for sale. Impairment losses may arise when the carrying value of a property exceeds its recoverable amount. We recognized impairment losses of properties under development of RMB37.9 million, RMB80.3 million and RMB127.0 million (US$19.9 million) in 2019, 2020 and 2021, respectively. In 2020 and 2021, we had impairment losses of RMB28.5 million and RMB132.1 million (US$20.7 million), respectively transferred from properties under development to completed properties held for sale. We cannot guarantee that similar losses will not occur in the future, if any or at similar level, during adverse market conditions in the future. Any similar incurrence in the future may materially and adversely affect our business, financial condition and results of operations.

We may not be able to complete our projects according to our budget or construction schedule, or at all, which may lead to loss of or delay in recognizing revenues, lower returns and claims from customers.

Completion of property development projects requires substantial capital expenditures for, among others, land acquisition and construction. The construction of property projects usually take approximately a year before the properties could generate positive net cash flow through pre-sales, sales and leasing. However, it might take over a year or longer before we could generate positive net cash flow from such property projects. Furthermore, depending on the type of properties and revenue generated, it may take up to one year after the completion of these properties before we deliver such projects. As a result, our cash flows and results of operations may be significantly affected by our project development schedules, any changes to such schedule and our budget control in completing those projects.

The schedules of our project development and whether the project can be completed under our planned budget depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

- changes in market conditions, economic downturns and decreases in business and consumer sentiment;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may negatively impact our reputation as a property developer, further causing loss of or delay in our recognizing revenues and returns. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to late delivery compensation or even terminate the pre-sale contracts and claim damages. See "— We face risks related to the pre-sale of properties from any potential limitations or restrictions imposed by the PRC government." We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

There is no assurance that we will always be able to successfully deliver our projects to our customers and failure to do so may subject us to claims of compensation or refunds of pre-sale.

We have derived and expect to derive substantial majority of revenue from sales of properties. We generally commence the pre-sale of our properties prior to completion of construction and receive advance payments from customers based on billing schedules as established in the pre-sale contracts. Such payments received are initially recorded as contract liabilities and will be recognized as revenue when our customers obtain the physical possession or the legal title of the completed properties, we have right to payment and collection of the consideration is probable.

However, the delivery of our properties to the customers may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters. See "— We may not be able to complete our projects according to our budget or construction schedule, or at all, which may lead to loss of or delay in recognizing revenues, lower returns and claims from customers" above for details. In such events, we may need to refund a portion or all of our contract liabilities that are recognized as revenue to our customers. In 2019, 2020 and 2021, we had not experienced failure of delivering property projects to customers on time, which subject us to claims of compensation or refunds of pre-sale. However, we cannot assure you that we will not experience any significant delays in delivery of our projects in the future or that we will not be subject to any liabilities for any such delays. In the event we are unable to successfully deliver our properties to our customers, we may be subject to claims to refund a portion or all of our contract liabilities, which may materially and adversely affect our business, financial condition and results of operations.

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out our property development and leasing operations.

The real estate industry in China is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and leasing operations, we must apply to the relevant government authorities to obtain various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and completion certificates, and renew for those relating to ongoing operations. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit. If we fail to apply or renew the certificates in a timely manner, our operations may be adversely affected.

Before commencing business operations, entities engage in property development are required to obtain a qualification certificate for property development enterprises (房地產開發企業資質證書). Those who engage in property development without obtaining qualification certificate will be ordered to rectify within the prescribed time period and pay a penalty of RMB50,000 to RMB100,000. Where no rectification has been made on or before expiry of the prescribed time period, the department of industry and commerce administration may revoke the business license of the non-compliant party. See "Regulation — Qualifications of Real Estate Developers" for details. We cannot assure you that such incidents will not occur in the future.

In 2019, 2020 and 2021, some of our subsidiaries were not in compliance with certain construction-related PRC laws and regulations, including commencing construction works prior to obtaining requisite construction work planning permits and/or failing to conduct relevant construction works in accordance with the construction work planning permits, and commencing construction works prior to obtaining requisite construction work commencement permits and/or failing to fully comply with the relevant laws and regulations in relation to construction work quality. We had paid the relevant penalties in full in connection with the foregoing as of the date of this offering memorandum. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the real estate industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

The total GFA of some of our developments may exceed the original permitted GFA and such excessive GFA is subject to governmental approval and will require us to pay additional land premium.

The permitted total GFA for a particular property development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction work planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our project and, as a consequence, we would not be able to deliver individual units to purchasers. Moreover, excessive GFA requires additional governmental approval, and the payment of additional land premium. We cannot assure you that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed our permitted total GFA, or the authorities will determine that all built-up areas conform to the plans approved as set out in the construction work planning permit. Moreover, we cannot assure you that we will have sufficient funding to pay any required additional land premium or take any remedial actions that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, financial condition and results of operations.

We rely on third parties in certain key aspects of our business and if any of such third parties fails to perform their contractual obligations or to comply with the relevant laws and regulations, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected.

We engage third parties to carry out various services relating to our property development projects, including project design, pile setting, foundation building, construction, equipment installation, elevator installation and landscaping. We generally select these third-party service providers or contractors through tender processes. Completion of our projects is subject to the satisfactory performance by these third parties under their contractual obligations, including their adherence to our quality standards and the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third parties will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party service provider or contractor is proved unsatisfactory, or if any of them is in breach of their contractual obligations due to their financial difficulties or other reasons, we may need to replace such service provider or contractor or take other remedial actions, which could materially and adversely affect our costs, the construction progress of our projects and our reputation, credibility, financial position and business operations. We may also be subject to various customer complaints if our customers are unsatisfied with the quality of our projects after delivery due to the failure of such third-party service providers or contractors to meet our quality standards. In addition, we may also be subject to risks, including but not limited to administrative penalties and impaired reputation, if our third-party service providers or contractors fail to comply with the relevant laws and regulations.

Moreover, as we are expanding our business into new geographical locations, there may be a shortage of third-party service providers or contractors that meet our standards and, as a result, we may not be able to engage a sufficient number of qualified third-party service providers or contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationship with any of the third-party service providers or contractors deteriorates, a serious dispute with such third-party service provider or contractor may arise, which may in turn result in costly legal proceedings. The occurrence of any of the abovementioned events may have a material adverse effect on our business, financial condition, results of operations and reputation.

Our operations are dependent on our major suppliers.

Our suppliers are mainly construction contractors and construction material suppliers. We relied on these major suppliers to operate our businesses. Some of our general contractors and subcontractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted each of the relevant group companies as a major supplier. As such, purchases from our five largest suppliers accounted for approximately 34.3%, 34.5% and 30.0% of our total purchases in 2019, 2020 and 2021, respectively. Purchases from our largest supplier in 2019, 2020 and 2021 accounted for approximately 8.9%, 11.1% and 10.0% of our total purchases, respectively.

If a large number of our current major suppliers decide to terminate business relationships with us or, if the services or raw materials supplied by our current suppliers fail to meet our standards, or if our current service or raw material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely fashion, which may materially and adversely affect our business, financial condition and results of operations.

We face risks related to the pre-sale of properties from any potential limitations or restrictions imposed by the PRC government.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide remedies for breach of these undertakings. For example, if we fail to deliver the development of units which we have pre-sold, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or the relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and bring claims for additional compensation. A purchaser may also terminate his or her contract with us and/or bring claims for compensation for certain other contract disputes, including, for example, if the GFA of a relevant unit, as set out in the individual building ownership certificate, deviates by more than 3% from the GFA as set out in the contract; if the floor plan of a relevant unit is different from what is set out in the contract and adversely affects the quality and functionality of the unit; if the interior decoration of a relevant unit is inferior to what is set out in the contract; or if the purchaser fails to receive the individual property ownership certificate within a statutory period due to our fault. We cannot assure you that we will not breach such undertakings in the future. If we experience material delays in delivering our properties in the future or are required to pay significant amounts of compensations to our purchasers due to contractual disputes or other reasons, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under the current PRC laws, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and the use and deposit of pre-sales proceeds are also restricted. If we fail to deposit certain of the pre-sales proceeds into the designated custodial accounts in accordance with the relevant PRC laws and any relevant local requirements, we may be subject to certain disciplinary measures, such as suspending the allocation of supervisory funds, suspending the qualification of commercial housing online contracting for the project and recording it in the credit files of real estate development enterprises. According to the Notice of the Ministry of Housing and Urban-Rural Development on Further Strengthening the Supervision of the Real Estate Market to Improve the Pre-sale System of Commodity Housing (住房和城鄉建設部關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), the pre-sale proceeds of commercial housing shall be fully included in the supervision account, and the supervisory authority shall be responsible for the supervision and control to ensure that the pre-sale funds may be appropriated according to the construction of commercial housing projects; the pre-sale funds may be appropriated according to the construction progress, but sufficient funds must be retained to ensure the completion and delivery of the construction projects. Local regulations governing the domestic subsidiaries further regulate the supervision of pre-sale proceeds. See "Business — Our Project Operation and Management — Sales and Marketing — Pre-sale" for more details on our pre-sale activities and compliance with the relevant pre-sale laws and regulations. There can be no assurance that the PRC government and local authorities will not ban or impose further restrictions on pre-sales. If we fail to comply with the relevant regulations and requirements, we may face fines which could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in the labor costs and the price of raw materials could adversely affect our business and financial performance.

In 2019, 2020 and 2021, we experienced an increase in development and construction costs mainly due to rising labor costs and raw material prices, and expect such costs to continue to increase in the foreseeable future. We procure construction materials through our external contractors or by ourselves. The cost of construction materials, such as steel and concrete, may continue to fluctuate from time to time. As some of our major construction contracts are not fixed unit-price contracts, we bear the risk of price fluctuations in costs of labor and construction materials during the relevant contract term when the prices exceed certain thresholds. Additionally, increases in the cost of labor and construction materials will likely drive our contractors to increase their fee quotes for our new property development projects. Furthermore, we typically pre-sell our properties prior to their completion and will not be able to pass the increased costs on to our customers if such increases are subsequent to the pre-sale. The rising costs of labor and construction materials, and our inability to pass such increases on to our customers may result in higher costs of project development, thereby adversely affecting our business, financial condition and results of operations.

The LAT calculated by the relevant PRC tax authorities may be different from our calculation of the LAT liabilities for provision purposes, which may have a material adverse effect on our financial condition.

Our properties developed for sale are subject to LAT. Under the PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in China is subject to LAT on the appreciation of land value at progressive rates ranging from 30% to 60%. We only prepay a portion of such provisions each year as required by the local tax authorities.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time, pending settlement of such with the relevant tax authorities. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of LAT. However, given the time gap between when we make provision for and when we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in a particular period may require subsequent adjustments. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions and seek to collect such excessive amount, our cash flow, financial condition and results of operations may be materially and adversely affected.

It is uncertain whether we will be able to recover our prepaid taxes and other tax recoverables.

We had prepaid taxes and other tax recoverables of RMB415.3 million, RMB431.6 million and RMB712.9 million (US$111.9 million) as of December 31, 2019, 2020 and 2021, respectively. Our prepaid taxes and other tax recoverables primarily represent prepaid VAT and, to a lesser extent, other surcharges prepaid by us. Pursuant to relevant tax laws and regulations, we are required to prepay non-refundable VAT for our pre-sold properties at the time the sales are contracted. Such prepaid amount is calculated based on the contracted selling price with reference to a fixed rate stipulated in the relevant tax laws and regulations. However, the final settlement amount of VAT is determined by the amount of input VAT and output VAT based on the applicable VAT rate in effect when the properties are delivered. While the prepaid VAT may enable us to reduce future tax payment, our prepaid VAT may also pose risks to us as its recoverability is dependent on the then applicable VAT rate in effect. Upon the final settlement, our prepaid VAT will be deducted from our VAT liabilities in the event that the final settlement amount of VAT exceeds the prepaid amount. However, such prepaid VAT will not be refunded if the prepaid amount exceeds the settlement amount.

Therefore, there is no assurance that the prepaid VAT can be recovered. Efforts by the PRC government to increase tax revenues could also result in revisions to tax laws and regulations or their interpretation, which could increase our various tax liabilities. If there is an adjustment of applicable VAT tax rate in effect or a significant increase in the cost of sales of our property projects, which resulted in a decrease in such projects' gross profits, the associated final settlement of VAT may be adjusted to an amount lower than our prepaid VAT. As a result, we may not be able to recover our prepaid VAT, which could have a material adverse impact on our business, financial condition and results of operations.

Our deferred income tax assets may not be recovered, which could adversely affect our results of operation.

As of December 31, 2019, 2020 and 2021, we had deferred tax assets of RMB792.6 million, RMB521.4 million and RMB616.9 million (US$96.8 million), respectively, which mainly represented accrued LAT and unrealized revenue in contract liabilities. Deferred tax assets are recognized and measured based on the expected manner of realization or settlement of carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. In determining the carrying-over amounts of deferred tax assets, expected taxable profits are estimated based on a number of assumptions relating to our operating environment requiring significant level of judgment exercised by our Directors. There is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of regulatory environment. Therefore, we may not be able to recover our deferred income tax assets, which could have a material adverse impact on our business, financial condition and results of operations.

Our property development business is subject to customer claims under statutorily mandated quality warranties.

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), which became effective on January 30, 2000, amended respectively on October 7, 2017 and April 23, 2019, all property developers in China must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. See "Business — Our Project Operation and Management — Project Delivery and After-Sales Services — Warranties" for more details. We have received customer claims in relation to the quality of our projects in the past and expect to continue to receive customer claims in the future. In addition, we may be subject to other types of customer claims from time to time during our ordinary course of business, such as claims in relation to the delay in delivering property title documents due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, including but not limited to the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property right authorities.

We cannot assure you that we will not face any materially adverse customer claims in the future. If a significant number of claims are brought against us under our warranties and we are unable to obtain reimbursement for such claims from third-party service providers or contractors in a timely manner, or at all, or our funds to cover our payment obligations under the quality warranties are not sufficient, we could incur significant expenses to resolve such claims or face delays in remedying the related defects, which would in turn harm our reputation and have a material adverse impact on our business, financial condition and results of operations.

We may be subject to fines or sanctions by the PRC government if we fail to comply with the land grant contracts.

Under PRC laws and regulations, if we fail to develop a property project according to the terms of land grant contracts, including those relating to the payment of land premium and other fees, the designated use of land and the time for commencement and completion of our property development of the land, the relevant government authorities may issue a warning to, or impose a penalty on, us or require us to pay the liquidated damages or forfeit the land use rights. Any such violation of the terms of the land grant contract may also restrict our ability to participate, or prevent us from participating in future land bidding.

Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land grant premium by stipulated deadlines, we may be subject to late payment penalties at the rate of 0.1% of the unpaid land premium per day, or the repossession of the land by the government. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land authorities may impose an idle land fee of up to 20% of the land grant premium. If we fail to commence development for more than two years after the commencement date stipulated in the land grant contracts, our 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 we commence development of the land in accordance with the land grant contracts, if our developed land area is less than one-third of the total land area, or if our total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project in the project proposal, or if the development of the land is suspended for over a year without government approval, our land may also be treated as idle land. See "Regulation — Land for Property Development" for more details on the relevant requirements relating to land grant premiums.

There are specific enforcement rules on idle land and other aspects of land grant contracts in many cities in China, and the local authorities enforce such rules in accordance with instructions from the central government of China. Where a right-holder to use a plot of state-owned land for construction conducts malicious hoarding or speculation of the land, current measures in place require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, mortgage transaction, lease transaction or land registration applications in respect of any idle land before such holder completes the requisite rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred from the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the

repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land grant contracts as a result of delays in project development or other factors, we may lose the opportunity to develop our project, as well as our past investment in the land, which could materially and adversely affect our business, financial condition and results of operations.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We leased certain properties from independent third-party landlords mainly for our office premises. The failure to register the lease agreements does not affect the validity of our lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could incur us additional efforts and/or expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement, which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. See "Business — Leased Properties for Self-Use" for more details.

Inappropriate marketing activities of our properties may lead to penalties, undermine our sales and marketing efforts, deteriorate our brand name, and have a material adverse effect on our business.

As a property developer in China, we are subject to a variety of laws and regulations concerning marketing and promotion of our property development projects, our business and our brand image. We currently rely on third-party advertising agents to conduct marketing activities primarily when entering into a new market, but we will gradually swift to our in-house sales and marketing team when we obtain more understandings of the local markets. If any of the marketing contents created by our third-party advertising agent or by us is considered to be untruthful or misrepresentative, we will be required to cease advertising, remedy adverse effects and turn in a fine amounting to three to five times of our advertising fees. There are risks of whether our marketing activities can fully comply with all such requirements with respect to marketing activities. Any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, deteriorate our brand name and reputation, and consequently materially and adversely affect our business, financial condition and results of operations.

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

We derive the substantial portion of our revenue from sale of properties and most of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, the availability of mortgages to our prospective purchasers would significantly affect our financial condition and results of operations. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for purchasers up until (i) we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank or (ii) the settlement of mortgage loans between the mortgagee bank and the purchaser, whichever is earlier.

The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. If a customer defaults on payment of his or her mortgage, the mortgagee bank may require that we immediately repay the entire outstanding balance of the mortgage and any additional payments or penalties pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would then have full recourse to the property. In line with the industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers. Such credit risks are contingent liabilities not reflected on our balance sheets.

As of December 31, 2019, 2020 and 2021, our outstanding guarantees over the mortgage loans of our customers amounted to RMB7,570.3 million, RMB6,325.0 million and RMB7,855.9 million (US$1,232.8 million), respectively. We cannot assure you that defaults by purchasers will not occur in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, if there is a material depreciation in the market value of the relevant properties, or if we cannot resell such properties due to unfavorable market conditions or for other reasons, our business, financial condition and results of operations may be materially and adversely affected.

Our commercial property investment and operation businesses may subject us to a variety of risks.

We strategically retain certain quality commercial properties for investment purposes and we mainly operate our commercial property businesses by way of direct leasing or through sales and leaseback arrangement, under which we sell a property and then lease it back from the legal owner to generate rental income. As of December 31, 2019, 2020 and 2021, we had investment properties amounting to RMB2,918.4 million, RMB3,245.6 million and RMB2,483.2 million (US$389.5 million), respectively. Since commercial property investment and operation are an integral part of our business, we are subject to risks including but not limited to volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from ongoing maintenance and repair, and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons.

Furthermore, there are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in our leased properties. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment or leased properties could adversely affect our reputation among customers and guests, negatively impact our brand, deteriorate our overall rents and occupancy rates, and mandate us to implement additional safeguard measures, thereby increasing our operating costs. If accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

Additionally, investment properties are generally illiquid and our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, or at all. We cannot predict the time needed to find purchasers to purchase such investment properties. Should we decide to sell an investment property which is subject to a lease agreement, we may have to obtain consent from or pay termination fees to the tenants. We may also incur capital expenditure to manage and maintain our properties, or to correct defects or make improvements to those properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all.

Moreover, aging of investment properties, and changes in economic and financial condition beyond our control such as changes in interest rates or changes in the competitive landscape in the real estate market in China may adversely affect the amount of rental income we generate from as well as the fair value of our investment properties, either completed or under development. Our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. Such and other factors that impact our ability to respond to adverse changes in the performance of our investment properties may adversely affect our business, financial condition and results of operations.

Our sales and leaseback arrangement for our investment property may subject us to loss.

In 2019, 2020 and 2021, we had sales and leaseback arrangement for Shanghai • Sunkwan Upper Commercial Plaza. We sold commercial units to the buyer-lessors, which were independent third parties, through our subsidiary, Shanghai Qianrong, while the buyer-lessors later entered into management and operation agreement with our another subsidiary, Shanghai Kunshang. Under the management and operation agreement, Shanghai Kunshang can lease out such commercial units and receive rental income for a period of five years on average. At the same time, Shanghai Kunshang may incur additional operating expenses, such as marketing and

management fees, and may suffer losses, damages and liabilities if failing to fulfill contractual obligations stipulated in the sales and leaseback arrangement. Shanghai Kunshang also needed to pay the buyer-lessors a rent based on the purchase amount under the pre-sale contracts entered into between the buyer-lessors and Shanghai Qianrong.

When determining the selling prices and the rents, we took into account the sales transaction and the ensuing lease as a whole. However, we cannot assure you that our estimates and the assumption we used can accurately anticipate the future market condition in the real estate market. If the sales premium we received from the sales of the commercial property cannot make up for the additional rents we pay to the buyer-lesser afterwards, we might incur loss under such sales and leaseback arrangement, and our business, financial condition and results of operations might be materially and adversely affected.

Certain portions of our property development projects and investment properties are designated as civil air defense properties, and transfer of the right to use such area is subject to restrictions and uncertainties.

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law (《中華人民共和國人民防空法》) promulgated by the NPC on October 29, 1996 and amended on August 27, 2009 and Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (《人民防空工程平時開發利用管理辦法》) promulgated by the State Civil Air Defense Office (國家人民防空辦公室) in November 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense properties at other time and generate profits from such use. In 2019, 2020 and 2021, we had entered into contracts to transfer the right to use civil air defense properties in our property development projects to our customers as car parks (the "Designated Car Parks") and we intend to continue such transfer. As of December 31, 2021, we had civil air defense areas with an aggregate GFA of approximately 449,779 sq.m., which were primarily used or to be used for car parks. However, in times of war, such areas may be used by the government at no cost. In the event of war and the civil air defense areas of our projects are used by the public, we may not be able to use such areas as car parks, and such areas will no longer be a source of our revenue. We cannot assure you that such laws and regulations will not be amended in the future, subject us to more burdensome compliance cost.

We may undertake mergers and acquisitions that may pose risks and uncertainties to our business and expose us to potential liabilities and unresolved disputes of the target company.

We have undertaken merger and acquisition activities in the past and we may continue to do so in the future. Mergers and acquisitions may cause us to enter into business that we have not previously conducted and expose us to additional financial and business risks different from those we have historically experienced. Since analyzes and valuations of the target company are usually conducted based on a number of assumptions, which may become inappropriate or irrelevant over time, we may suffer losses, damages or liabilities in relation to our merger and acquisition undertakings. In addition, we may be exposed to hidden or unexpected issues, potential liabilities and unresolved disputes that the target company may have. Once a merger and acquisition transaction is executed, we may face continuous challenges and risks associated with assimilation and transition of the target company into our business. If any of our merger and acquisition activities is not successful or if we fail to manage or mitigate the aforementioned risks, we may incur additional costs, damages and liabilities. As a result, our business, financial condition and results of operation may be materially and adversely affected.

We are a holding company and rely primarily on dividends paid by our subsidiaries, joint ventures and associates to fund any cash and financing requirements we have, and our ability to pay dividends and utilize cash resources in our subsidiaries, joint ventures and associates depends on their earnings and distributions.

We are a holding company and we conduct our business operations primarily through our subsidiaries, joint ventures and associates in China. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries, joint ventures and associates. The ability of our subsidiaries, joint ventures and associates to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries, joint ventures or associates

incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from these entities, which might in turn restrict our ability to fund our business operations and pay dividends to our shareholders. In addition, their declaration of dividends will be at the absolute discretion of their boards and shareholders.

Furthermore, payments of dividends by our subsidiaries, joint ventures and associates are subject to restrictions under PRC laws. In addition, our subsidiaries, joint ventures or associates may be restricted from making distributions to us due to restrictive covenants contained in agreements such as bank credit facilities. Any of the abovementioned factors may affect our ability to pay dividends and to service our indebtedness. As we expect to continue to invest in subsidiaries, joint ventures and associates for the development of property projects, our liquidity may be further restricted if we are not able to receive dividends from our existing or future subsidiaries, joint ventures or associates, which could materially and adversely affect our ability to conduct our business.

Our business may be adversely affected if we fail to hire or retain our senior management team and other qualified employees.

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management, sales, project development and design personnel. We rely on their vision, relevant expertise and experience in respect to business operations, strategies, and project development and design. For example, most of our Directors and members of our senior management team have over 15 years of experience in their respective fields, and many of them have been with us since our inception in Shanghai in 2010. If any Director or any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and key professionals and staff members. The loss of a significant number of our Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner.

Due to the intense competition for management and other personnel in the real estate industry in China, we may not be able to successfully attract, assimilate or retain all the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. As a result, any failure to recruit and retain key managerial personnel and other qualified employees could have a material adverse impact on our business and prospects.

Deterioration in our brand image or any infringement of our intellectual property rights may materially and adversely affect our business.

We rely, to a significant extent, on our brand name and image to attract potential customers to our properties. Any negative incident or negative publicity concerning us or our properties may materially and adversely affect our reputation, business, financial position and results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that run contrary to consumers' trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in our brand value, or any failure to establish our brand in provinces and cities in which we currently operate, may have a material adverse effect on our business, financial position and results of operations. In addition, any unauthorized or unreasonable use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business, financial condition and results of operations.

Compliance with PRC laws and regulations regarding environmental protection may result in substantial costs and delays in construction schedule.

We are subject to a variety of laws and regulations concerning the protection of the environment. Compliance with such laws and regulations may result in delays in our construction work, substantial compliance and other costs and severely restrict project development activities in environmentally sensitive regions or areas. See "Business — Environmental Matters" for details.

As required by PRC laws and regulations, property projects in environmentally sensitive regions and with self-built sewage treatment facilities are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form for record-filing. If we fail to meet such requirements, local authorities may issue orders to restrict construction and based on the circumstances of the violation and the consequences thereof, impose on us a fine of between one to five percent of the total investment amount of the project, and may also issue orders to restore the original conditions before the construction; and the persons directly in charge and other directly responsible persons of us shall be subject to administrative sanctions under the law. After the completion of construction, for those projects which need approval from the relevant government authorities before the commencement of construction as discussed above, we are required to make an acceptance check of the environment protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the relevant environmental laws and regulations or the competent administrative department of environmental protection under the State Council.

However, we cannot assure you that we will be able to comply with all relevant environmental laws and regulations or the requirements with respect to environmental assessments in the future. It is possible that the environmental assessments conducted may not reveal all environmental liabilities to their fullest extent, and there may be material environmental liabilities of which we are unaware. In the event of a termination of construction and/or imposition of a fine as a result of our non-compliance, our business, financial condition and results of operations may be materially and adversely affected.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, we could be materially and adversely affected by the COVID-19 pandemic in China.

We are vulnerable to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics and other catastrophes, which may materially and adversely affect our business. Toward the end of 2019, an outbreak of highly infectious novel coronavirus was reported. In March 2020, the World Health Organization characterized the outbreak of COVID-19 a pandemic. As of the date of this offering memorandum, the COVID-19 pandemic has spread to over 200 countries and territories globally, with the death toll and number of infected cases continuing to rise. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. Several cities in China where we have land bank and operations had been under a lockdown and have imposed travel restrictions in an effort to curb the spread of the COVID-19 pandemic. As a result, our operations may be materially and adversely affected by potential delays in or reductions of business activities and commercial transactions and by general uncertainties surrounding the duration of the government's extended business and travel restrictions.

In addition, our business operations could be disrupted if any of our employees is suspected of contracting the COVID-19 or any other epidemic disease, since our employees could be quarantined and/or our offices be shut down for disinfection. Our business operations may also be materially adversely affected if our suppliers, including construction material suppliers and construction contractors, or other business partners are affected by the COVID-19. The potential downturn brought by and the duration of the COVID-19 may be difficult to assess or predict where actual effects will depend on many factors beyond our control. The extent to which the COVID-19 impacts our business, financial condition and results of operations remains uncertain, and we are closely monitoring its impact on us. Nevertheless, our business, financial condition, results of operations and prospects could be materially and adversely affected directly, as well as to the extent that the COVID-19 or any other epidemic harms the Chinese economy in general.

Current insurance coverage may not be adequate to cover all risks related to our operations.

In line with industry practice, we maintain a limited number of insurance policies for our property development projects. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements. We do not maintain insurance covering construction-related property damage or personal injuries of third parties.

In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. We cannot assure you that we will not be sued or held liable for damages arising from, or in connection with, any such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms such as those due to earthquakes, typhoons, floods, wars, civil disorders and other events of force majeure. If we suffer any loss, damage or liability in the course of our business operations, we may not have sufficient funds to cover such loss, damage or liability or to replace any property development that has been destroyed. In addition, any payment we make to cover any loss, damage or liability could have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers, employees, tenants or other third parties, and may face significant liabilities as a result.

We had and may from time to time be involved in disputes with various parties involved in the development, sale, leasing and management of our properties, including contractors, suppliers, construction workers, purchasers and tenants. For example, purchasers of our pre-sale properties may allege that our marketing materials contain misleading information and/or misrepresentation regarding our properties. These disputes may lead to legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our properly developments. We cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement on these disputes may materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects may be adversely affected as a result of negative media coverage relating to us or the real estate market in which we operate or intend to operate.

We may be subject to and associated with negative publicity, including those on the internet, with respect to our corporate affairs, conducts related to our personnel and the real estate markets we operate or intend to operate. We may also be subject to negative reports or criticisms by various media, including incidents of fraud and bribery. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Nonetheless, any negative coverage, whether or not related to us or our related parties and regardless of its truth or merit, may have an impact on our reputation and consequently undermine the confidence of our customers and investors, in turn materially and adversely affecting our business, financial condition, results of operations and prospects.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but we cannot assure you that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in the PRC, (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies, (iii) measures which may be introduced to control inflation or deflation, (iv) changes in the rate or method of taxation, and (v) imposition of additional restrictions on currency conversion and remittances abroad.

In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. Our business, financial condition and results of operations may be adversely affected by:

- changes in the PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulation or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other important restrictions.

On December 28, 2020, PBOC and CBRC jointly promulgated the Notice of PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period.

Furthermore, the growth of demand in China for the real estate industry depends heavily on economic growth. We cannot assure you that such growth will be sustained in the future. From time to time, the PRC government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth in China. If China's economic growth slows down or if the Chinese economy experiences a recession, the growth of demand for real estate property may also decrease. Such events could have a material adverse effect on the Group's business, results of operations and financial condition.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in China and is governed by PRC laws and regulations. All of our operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions are not legally binding and can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, if at all, and some of which may have a retroactive effect. The PRC may not accord equivalent rights, or protection for such rights, to those that you might expect in countries with more sophisticated real estate laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities. As such, when PRC laws, rules, regulations and policies apply in different parts in the PRC, there may be varying applications and interpretations. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, certain courts might refuse to make their documentation available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

We may be adversely affected by fluctuations in the China real estate markets, the global economy and financial markets.

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

Since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such developments may have an adverse impact on the ability of Chinese property developers, management companies and potential property purchasers to obtain financing, a decrease in consumer confidence and demand in China real estate and increased market volatility. There is no guarantee that such situation will improve, and the property market may not continue to grow and may even experience significant contraction. In addition, there may be more developers who are unable to pay their debt when due and default on their indebtedness and we cannot assure you that we will be able to refinance our existing indebtedness and/or pay our debts when due.

In addition, the global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "TCA"). On December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting to increase inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty.

China's economic growth may slowdown due to weakened exports and nationwide structural reforms. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years. The recent developments surrounding the trade war with the United States may also weaken exports and impact China's economic growth negatively. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the PRC industry remains 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.

The above and other issues resulting from the global economic slowdown or uncertainty and financial market turmoil have adversely affected, and may continue to adversely affect homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our access to capital and liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, our business, financial condition and results of operations may likely be adversely affected.

Fluctuations in the value of the Renminbi and governmental control of currency conversion may limit our ability to use capital effectively.

Substantially all of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the initial public offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. The value of the Renminbi depreciated against the U.S. Dollar approximately 4.4% in 2015 and 7.2% in 2016, but appreciated against the U.S. Dollar 6.7% in 2017. The value of Renminbi then depreciated approximately 5% against the U.S. Dollar in 2018. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. But we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13"), and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business 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 April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) ("Notice No. 19"). Notice No. 19 stipulate, among other things, (i) that SAFE will no longer process foreign debt registrations and applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from and registered with MOFCOM on or after June 1, 2007; (ii) the foreign-invested real estate enterprises found before June 1, 2007 may borrow foreign debt within the scope of original difference between investment amount and registered capital pursuant to relevant laws and regulations; if the difference between investment amount and registered capital after capital increase is lower than the difference before capital increase, the latter shall be the standard; and (iii) if a foreign-invested real estate enterprise fails to obtain the State-owned Land Use Certificate or the capital of the development project fails to reach 35% of the total investment of the project, it shall not borrow foreign debts from abroad; SAFE shall not register foreign debts or approve the settlement of foreign debts. These regulations effectively prohibit our ability to fund our PRC subsidiaries by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require registration from the commerce department of the local government, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. 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.

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

The PRC government has imposed restrictions on foreign investment in the property sector to curtail the perceived over-heating 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 on cross-border investment and financing activities and imposing restrictions on purchases of properties in China by foreign persons. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, results of operations and financial condition.

The implementation of the EIT Law may significantly increase our income tax expenses.

On March 16, 2007, the PRC National People's Congress, Chinese national legislature, adopted a new tax law, the EIT Law, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council issued the Implementation Regulations of the PRC Enterprise Income Tax Law (the "Implementation Regulations"), which also became effective on January 1, 2008 and as amended on April 23, 2019.

Under the EIT Law and Implementation Regulations, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC subsidiaries, unless we are entitled to reduction or elimination of such tax, including by tax treaty. According to a tax treaty between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. We cannot assure you, however, that the current tax treaties in place between the PRC and Hong Kong will remain in place or that we will continue to be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

We may be deemed as a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Regulations for 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.

Substantially all of our management is currently based in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will explain the regulation. Therefore, we may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Regulations.

Our investment properties are located on land that is under long-term land use rights granted by the PRC government. There is uncertainty about the amount of the land grant premium that we will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. The term of the land use right for land used for residential purposes shall be automatically renewed upon expiration; the land use rights for non-residential or other purposes will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the date of this offering memorandum, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

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

We are a holding company incorporated in the Cayman Islands and we conduct our business operations primarily through our subsidiaries in China. We will be financially dependent on dividends received from these entities. Therefore, we may face financial difficulties should such entities incur debt or losses affecting their ability to pay us dividends or make other distributions to us.

PRC laws and regulations require that dividends be paid only out of distributable profits, which are net profit of our PRC subsidiaries as determined in accordance with PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Failure by our operating subsidiaries in the PRC to pay us dividends could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, the PRC subsidiaries may be restricted from making distributions to us due to restrictive covenants contained in agreements, such as bank credit facilities, to which they may be subject. Any of the above factors may affect our ability to pay dividends to our Shareholders and to service our indebtedness, which could materially and adversely affect our ability to conduct business.

RISKS RELATING TO THE NEW NOTES, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

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

We are a holding company with no material operations. We conduct substantially all of our operations through our PRC subsidiaries. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. The New Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the New Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of December 31, 2021, our Non-Guarantor Subsidiaries had total debt in the amount of RMB28,333.2 million (US$4,443.9 million), capital commitments in the amount of RMB4,395.8 million (US$689.5 million) and contingent liabilities arising from guarantees in the amount of RMB12,808.7 million (US$2,009.0 million). The New Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the New Notes.

Under the terms of the New Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the New Notes.

We have substantial indebtedness, including indebtedness that will be mature within one year, and we 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 on a timely manner.

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. As of December 31, 2021, our indebtedness (including current and non-current interest-bearing bank and other borrowings and senior notes) amounted to RMB8,591.6 million (US$1,348.2 million). Subsequent to December 31, 2021, we also incurred other indebtedness for our general business operation. As of December 31, 2021, we had bank and other borrowings and senior notes amounting to RMB3,147.3 million (US$493.9 million) due within one year. As a result, we are subject to refinancing risks against such maturing indebtedness. We cannot assure you that we would be able to refinance our indebtedness, in a timely manner on acceptable terms or at all. The risk is exacerbated by the current volatility in the global capital and credit markets.

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Indenture, 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 New 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 may not include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the New Notes excludes (i) the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), (ii) interest expenses arising from lease liability which would have been classified as "operating lease" before the adoption of GAAP 16 and (iii) interest expense arising from pre-sale receipts in advance from customers, 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.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. In addition, certain of our PRC loans are guaranteed by our controlling shareholders. If we are unable to service our indebtedness, or if our guarantors are unable to perform their guarantee obligations and we are unable to secure alternative guarantees, 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.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled "Description of Material Indebtedness and Other Obligations" and "— Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries." Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the New Notes and other debt.

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the New Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the New Notes at maturity or as required for any early redemption.

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

The eligibility for the reduced tax rates described above on payments from our PRC subsidiaries to our Hong Kong subsidiary is subject to limitations, including that the Hong Kong recipient company must be treated as the beneficial owner of the income and the PRC tax authorities approve the reduced withholding rate. There is no assurance that such approval will be granted by the PRC tax authorities.

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

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

The Indenture allows modification, amendments or waivers of certain major terms to be made with the consent of holders of not less than 75% in aggregate principal amount of the outstanding New Notes, including the reduction of the principal amount of, or premium, if any, or interest on, any New Note, the release of any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture. See "Description of the New Notes — Amendments and Waiver – Amendments With Consent of Holders" for more details. Such provisions would reduce the protection afforded to the holders of the New Notes and potentially increase the credits risks of the New Notes.

The New Notes are subject to optional redemption by us.

As set forth in "Description of the New Notes — Optional Redemption," the New Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the New Notes. During any period when we may elect to redeem the New Notes, the market value of those New Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem the New Notes when its cost of borrowing is lower than the interest rate on the New Notes. In such case, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the New Notes being redeemed and may only be able to do so at a significantly lower rate. It may therefore cause a negative financial impact on the Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

The terms of the New Notes give us enhanced flexibility to pay substantial amount of dividends.

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a "Restricted Payment," which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the New Notes, we may, without satisfying the Fixed Charge Coverage Ratio, pay dividends on our common stock announced by us in 2022 with respect to the fiscal year ended December 31, 2021 based on our consolidated financial statements of such fiscal year, to the extent such dividend payment does not exceed 20% of our profit for the fiscal year ended December 31, 2021 or, for any fiscal year ending after 2022, in an

aggregate amount up to 20% of our net profit for the year based on our consolidated financial statements in the immediately prior fiscal year. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the New Notes.

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See "— Risks Relating to Doing Business in China — We may be deemed as a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income." If we are deemed a PRC resident enterprise, the interest payable on the New Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the New Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of New Notes, to be income derived from sources within the PRC, such interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC "resident enterprise." In addition, pursuant to Circular 36 promulgated by the MOF and SAT on March 23, 2016, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the New Notes are providing loans within the PRC, the holders of the New Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the New Notes. In addition, the holders of the New Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%.

Where a holder of the New Notes who is an entity or individual located outside of the PRC resells the New Notes to an entity or individual located outside of the PRC and derives any gain, since neither the seller nor the buyer is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of New Notes is located within the PRC.

If we are required to withhold PRC tax on interest payable to our foreign noteholders that are "non-resident enterprises," we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the New Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the New Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our New Notes, the value of your investment in our New Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our New Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

We may be able to redeem the New 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," 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 New Notes — Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in specified tax law or certain other circumstances, including any change in interpretation or statement of the 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 redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

We must offer to purchase the New Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus any accrued and unpaid interest. See "Description of the New Notes — Repurchase of New Notes Upon a Change of Control Triggering Event." The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding New Notes. Our failure to make the offer to purchase or to purchase the outstanding New Notes would constitute an Event of Default under the New Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the New Notes and repay the debt.

In addition, the definition of a Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the New Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the New Notes and the ability of a holder of the New Notes to require us to purchase its New 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, the British Virgin Islands ("BVI") and Hong Kong and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the New Notes are familiar.

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

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

We may be unable to obtain and remit foreign exchange.

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

interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the New Notes.

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

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

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

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 20.0% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. Subject to certain conditions, we are also permitted to make investments in any minority owned joint venture which are Franchise Companies (as defined in "Description of the New Notes") that are engaged in property development, of which we, through contractual arrangements or constituent documents, directly or indirectly, control and manage operations. See the definition of "Permitted Investment" in "Description of the New Notes."

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

Although approval-in-principle has been issued by the SGX-ST for listing of the New Notes, 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. The New Notes are offered as part of the exchange consideration pursuant to the Exchange Offer and will not be marketed separately. In addition, the New Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your New Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the New Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the New Notes could be adversely affected.

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

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

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the New Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the New Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the New Notes for any such transactions.

Certain of our affiliates may subscribe to and retain a portion of the New Notes to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the New Notes. Additionally, this may affect the trading price or liquidity of the New Notes in the secondary trading market.

Certain of our affiliates may purchase and own a portion of the New Notes being offered under this offering memorandum. Any holder that holds a significant portion of the New Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the New Notes. For example, holders of at least 25% in aggregate principal amount of the New Notes may declare all of the New Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

The existence of any such holder may reduce the liquidity of the New Notes in the secondary trading market. Additionally, interests of such holders, which may include our affiliates, may be in conflict with the interest of other holders of the New Notes. If such holder sells a material portion of the New Notes they hold in the secondary market, it may adversely affect the trading price of the New Notes. The negative effect of such sales on the prices of the New Notes could be more pronounced if secondary trading in the New Notes is limited or illiquid.

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

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

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 IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between IFRS 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 IFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

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

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

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

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

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the New Notes or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this offering memorandum) are attributed to our PRC operating subsidiaries and any contribution from direct operations of the Subsidiary Guarantors (or JV Subsidiary Guarantors) are immaterial. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the New Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the New Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the New Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 15.0% of our total assets. As a result, the New Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See "Description of the New Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees" in the Original Offering Memorandum for a list of the Non-Guarantor Subsidiaries.

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

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

For Subsidiary Guarantors incorporated in the BVI:

i. incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);

ii. put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

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

iv. in the cases of ii. and iii. above, a guarantee will be only be voidable if (1) it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so where insolvent in this context under BVI law means that the guarantor is unable to pay its debts as they fall due and (2) the guarantee was given within the six month period preceding the commencement of liquidation, or, if the guarantor and beneficiary are connected entities, two years.

For Subsidiary Guarantors incorporated in other jurisdictions:

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

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

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

The Trustee may request that the holders of the New Notes provide an indemnity and/or security and/or pre-funding to its satisfaction.

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

USE OF PROCEEDS

We will not receive any cash proceeds from the Exchange Offer. Any Existing Notes exchanged in connection with the Exchange Offer will be cancelled.

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:

Period	Noon buying rate			
	Period end	Average[(1)]	High	Low
	(RMB per US$1.00)			
2017	6.5063	6.7564	6.9060	6.5063
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1348	6.5250
2021	6.3726	6.3693	6.3772	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February	6.3084	6.3436	6.3660	6.3084
March	6.3393	6.3446	6.3720	6.3116
April	6.6080	6.4310	6.6243	6.3590
May	6.6715	6.6990	6.7880	6.6079
June (through June 24, 2022)	6.6878	6.6944	6.7530	6.6534

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:

Period	Noon buying rate			
	Period end	Average[(1)]	High	Low
	(HK per US$1.00)			
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7990	7.8034	7.7914
2022				
January	7.7971	7.7917	7.8001	7.7850
February	7.8137	7.7992	7.8137	7.7894
March	7.8275	7.8214	7.8297	7.8129
April	7.8465	7.8414	7.8476	7.8340
May	7.8468	7.8490	7.8499	7.8468
June (through June 24, 2022)	7.8492	7.8484	7.8499	7.8446

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.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of comprehensive income data for 2019, 2020 and 2021 and the selected consolidated statement of financial position data as of December 31, 2019, 2020 and 2021 set forth below (except for EBITDA data) have been derived from our consolidated financial statements as of and for the year ended December 31, 2020 and 2021, as audited by Ernst & Young, the independent certified public accountants, and included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The selected 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. Also, the Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results of operations in future years.

SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA

	Year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US$
				(unaudited)
REVENUE	7,535,159	8,190,576	8,340,071	1,308,739
Cost of sales	(4,464,234)	(6,396,196)	(7,167,914)	(1,124,802)
GROSS PROFIT	3,070,925	1,794,380	1,172,157	183,937
Finance income	15,804	17,313	83,849	13,158
Other income and gains	11,242	8,320	96,891	15,204
Selling and distribution expenses	(213,653)	(240,058)	(267,339)	(41,951)
Administrative expenses	(250,741)	(277,508)	(323,303)	(50,733)
Impairment losses on financial assets	(390)	950	(1,286)	(202)
Other expenses	(3,159)	(7,181)	(13,523)	(2,122)
Fair value gains on investment properties	175,812	102,537	48,448	7,603
Fair value gains/(losses) on financial assets at fair value through profit or loss	1,883	368	(74,220)	(11,647)
Finance costs	(261,734)	(301,971)	(322,520)	(50,610)
Share of profits and losses of:				
Joint ventures	15,753	160,965	34,465	5,408
Associates	(8,237)	73,933	(11,710)	(1,838)
(LOSS)/PROFIT BEFORE TAX	2,553,505	1,332,048	421,909	66,207
Income tax credit/(expense)	(1,876,616)	(446,886)	161,597	25,358
PROFIT FOR THE YEAR	676,889	885,162	583,506	91,565
Profit attributable to:				
Owners of the parent	219,532	356,064	250,057	39,239
Non-controlling interests	457,357	529,098	333,449	52,325
	676,889	885,162	583,506	91,565
Other financial data (unaudited)				
EBITDA[(1)]	3,575,040	2,434,896	2,095,242	328,629
EBITDA margin[(2)]	47.4%	29.7%	25.1%	25.1%

Notes:

(1) EBITDA consists of profit before taxation plus amortization of intangible assets, interests capitalized, finance costs, depreciation of right-of-use assets and depreciation of property, plant and equipment. EBITDA is not a standard measure under IFRS. 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. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to 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. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the New Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

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

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US$
				(unaudited)
		(in thousands)		
NON-CURRENT ASSETS				
Property, plant and equipment	150,155	143,721	137,837	21,630
Right-of-use assets	4,472	1,777	2,438	383
Investment properties	2,918,400	3,245,600	2,483,200	389,668
Intangible assets	1,966	2,166	1,321	207
Investments in joint ventures	94,333	357,174	612,502	96,115
Investments in associates	142,283	1,584,016	1,972,217	309,484
Deferred tax assets	792,648	521,353	616,919	96,808
Total non-current assets	4,104,257	5,855,807	5,826,434	914,295
CURRENT ASSETS				
Properties under development	10,859,280	12,495,168	19,739,521	3,097,562
Completed properties held for sale	1,051,766	1,562,937	784,269	123,069
Trade receivables	46,661	25,913	23,879	3,747
Due from related companies	1,997,139	1,341,958	4,909,111	770,347
Due from a shareholder	—	—	—	—
Contract cost assets	52,438	51,497	174,931	27,450
Prepayments, other receivables and other assets	3,056,757	3,474,502	4,031,040	632,558
Tax recoverable	172,866	267,134	292,665	45,926
Financial assets at fair value through profit or loss	55,528	113,209	110,597	17,355
Restricted cash	2,360,661	1,768,413	1,471,491	230,909
Pledged deposits	50,145	199,881	64,828	10,173
Cash and cash equivalents	1,073,499	3,365,194	2,946,780	462,414
Total current assets	20,776,740	24,665,806	34,549,112	5,421,510

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US$
				(unaudited)
	(in thousands)			
CURRENT LIABILITIES				
Trade and bills payables	1,652,322	1,714,898	2,101,183	329,721
Other payables and accruals	1,109,077	2,571,598	3,184,260	499,680
Contract liabilities	8,329,464	8,001,562	13,741,819	2,156,391
Due to related companies	631,642	539,125	695,846	109,193
Interest-bearing bank and other borrowings	4,243,248	2,329,620	3,147,335	493,886
Provision for financial guarantee contracts	—	—	35,303	5,540
Senior notes	—	—	2,633,520	413,257
Tax payables	3,349,387	2,417,983	1,297,608	203,623
Lease liabilities	34,307	32,277	30,014	4,710
Total current liabilities	19,349,447	17,607,063	26,866,888	4,216,001
NET CURRENT ASSETS	1,427,293	7,058,743	7,682,224	1,205,509
TOTAL ASSETS LESS CURRENT LIABILITIES	5,531,550	12,914,550	13,508,658	2,119,803
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	2,523,009	6,415,748	5,444,218	854,317
Deferred tax liabilities	163,512	161,715	187,165	29,370
Lease liabilities	82,357	54,518	25,169	3,950
Total non-current liabilities	2,768,878	6,631,981	5,656,552	887,636
NET ASSETS	2,762,672	6,282,569	7,852,106	1,232,167
EQUITY				
Equity attributable to owners of the parent				
Share capital	11	14	14	2
Reserves	860,019	2,279,483	2,501,209	392,494
	860,030	2,279,497	2,501,223	392,496
Non-controlling interests	1,902,642	4,003,072	5,350,883	839,670
TOTAL EQUITY	2,762,672	6,282,569	7,852,106	1,232,167

RESULTS OF OPERATIONS

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

2021 COMPARED TO 2020

Revenue. Our revenue increased slightly from RMB8,190.6 million in 2020 to RMB8,340.1 million in 2021. The increase was primarily attributable to the increase in the revenue recognized from sales of properties.

- Sales of Properties. Our revenue generated from sales of properties increased slightly from RMB8,038.1 million in 2020 to RMB8,158.8 million in 2021. This was mainly attributable to the higher ASP of the completed properties.

- Property Lease. Our revenue generated from the investment properties services increased by approximately 29.0%, from RMB46.7 million in 2020 to RMB60.2 million in 2021. The increase was primarily due to the easing of the novel coronavirus epidemic in the first half and normalized in the second half.

- Property Management Services. Our Revenue from the provision of project management services increased by approximately 14.5% from RMB105.8 million in to RMB121.1 million in 2021, mainly due to an increase in the number of property projects that require project management services from us compared with the corresponding period in 2020.

Cost of sales. Our cost of sales increased by approximately 12.1% from RMB6,396.2 million in to RMB7,167.9 million in 2021, mainly due to an increase of average land acquisition cost per sq.m. of the delivered property projects. Our gross profit margin decreased from approximately 21.9% in to approximately 14.1% in 2021, primarily due to the geographical difference and higher gross profit margin of the delivered properties in the previous year.

Gross profit and Gross Profit Margin. Our gross profit decreased by approximately 34.7% from RMB1,794.4 million in 2019 to RMB1,172.2 million in 2021.

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

Finance Income. Our finance income increased significantly from RMB17.3 million in 2020 to RMB83.8 million in 2021, mainly due to an increase in the average balance of bank deposits.

Other Income and Gains. Our other income and gains increased from RMB8.3 million in 2020 to RMB96.9 million in 2021, mainly due to increase in (i) the exchange gains due to exchange rate changes; (ii) the gain on the disposal of subsidiaries; and (iii) the remeasurement gain on investments in joint ventures held before business combination.

Selling and Distribution Expenses. Our selling and distribution expenses increased by approximately 11.3% from RMB240.1 million in 2020 to RMB267.3 million in 2021, mainly due to an increase in the number of projects on sale incurring additional sales commissions and advertising activities.

Administrative expenses. Our administrative expenses increased by approximately 16.5% from RMB277.5 million in 2020 to RMB323.3 million in 2021, mainly due to increase in staff costs and office expenses as the Group further scaled up and accelerated its expansion.

Impairment Losses on Financial Assets. We reversed impairment losses of RMB1.0 million in 2020, and recognised impairment losses of RMB1.3 million in 2021.

Other Expenses. Our other expenses increased from RMB7.2 million in 2020 to RMB13.5 million in 2021.

Fair Value Gains on Investment Properties. Our fair value gains on investment properties decreased by approximately 52.8% from RMB102.5 million in 2020 to RMB48.4 million in 2021, mainly due to a decrease of GFA of investment properties in 2021.

Fair Value (Losses)/Gains on Financial Assets at Fair Value through Profit or Loss. Our financial assets at fair value through profit or loss of the group changed from the gain of RMB0.4 million in 2020 to the loss of RMB74.2 million in 2021, mainly due to the purchase of an additional financial product during the year and the subsequent decrease in its fair value.

Finance Costs. Our finance costs increased by approximately 6.8% from RMB302.0 million in 2020 to RMB322.5 million in 2021, mainly due to an increase in the scale of interest-bearing debt.

Share of Profits and Losses of Joint Ventures and Associates. Our share of profits and losses of joint ventures and associates decreased from RMB234.9 million in 2020 to RMB22.8 million in 2021, mainly due to the absence of the delivery of property projects held by the Group's joint ventures and associates during the year.

Income Tax Credit/(Expense). Our income tax expense decreased from RMB446.9 million in 2020 to the income tax credit of RMB161.6 million in 2021, mainly due to (i) the lower gross profit of the delivered property projects during the year; and (ii) the final clearance of LAT for three projects, which were lower than the provision estimated and deducted from the LAT in current year.

Profit for the year. Our profit for the year decreased by approximately 34.1% from RMB885.2 million in to RMB583.5 million in 2021. Our profit attributable to the owners of the parent was RMB250.1 million, with a year-on-year decrease of approximately 29.8% from RMB356.1 million in 2020 mainly due to the lower gross profit of the delivered property projects in 2021.

2020 COMPARED TO 2019

Revenue. Our revenue increased by approximately 8.7% from approximately RMB7,535.2 million in 2019 to approximately RMB8,190.6 million in 2020. The increase was mainly due to the increase in the revenue recognized from sales of properties.

- Sales of Properties. Our revenue from sales of properties increased by approximately 7.9% from approximately RMB7,449.2 million in 2019 to approximately RMB8,038.1 million in 2020, mainly due to an increase in the numbers of the completed and delivered properties during the year, which resulted in an increase in the GFA delivered compared with the corresponding period in 2019.

- Property Lease. Our rental income from the investment properties decreased by approximately 26.9% from RMB63.9 million in 2019 to RMB46.7 million in 2020, mainly due to rental reduction or waiver measures in respect of investment properties during the COVID-19 pandemic.

- Property Management Services. Our revenue from the provision of project management services increased significantly from RMB22.1 million in 2019 to RMB105.8 million in 2020, mainly because our project management services started to generate revenue in 2020.

Cost of Sales. Our cost of sales increased by approximately 43.3% from RMB4,464.2 million in 2019 to RMB6,396.2 million in 2020, mainly due to an increase in the GFA of the delivered property projects.

Gross Profit and Gross Profit Margin. Our gross profit decreased by approximately 41.6% from RMB3,070.9 million in 2019 to RMB1,794.4 million in 2020. Our gross profit margin decreased from approximately 40.8% in 2019 to approximately 21.9% in 2020, primarily due to the geographical difference and higher gross profit margin of the delivered properties in 2019.

Finance Income. Our finance income increased by approximately 9.5% from RMB15.8 million in 2019 to RMB17.3 million in 2020, mainly due to an increase in the total bank deposits.

Other Income and Gains. Other income and gains decreased from RMB11.2 million in 2019 to RMB8.3 million in 2020.

Selling and Distribution Expenses. Our selling and distribution expenses increased by approximately 12.4% from RMB213.7 million in 2019 to RMB240.1 million in 2020, mainly due to an increase in the sales commissions.

Administrative Expenses. Our administrative expenses increased by approximately 10.7% from RMB250.7 million in 2019 to RMB277.5 million in 2020, mainly due to an increase in listing expenses and an increase in office expenses as the Group further scaled up and accelerated its expansion.

Impairment Losses on Financial Assets. We reversed impairment losses of RMB1.0 million in 2020, and recognized impairment losses of RMB0.4 million in 2019.

Other Expenses. Our other expenses increased significantly from RMB3.2 million in 2019 to RMB7.2 million in 2020.

Fair Value Gains on Investment Properties. Our fair value gains on investment properties decreased by approximately 41.7% from RMB175.8 million in 2019 to RMB102.5 million in 2020, mainly due to the relatively moderate growth in the market rents as impacted by the COVID-19 pandemic.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss. Our financial assets at fair value through profit or loss decreased by 78.9 % from RMB1.9 million in 2019 to RMB0.4 million in 2020.

Finance Costs. Our finance costs increased by approximately 15.4% from RMB261.7 million in 2019 to RMB302.0 million in 2020, mainly due to an increase in the scale of interest-bearing debt.

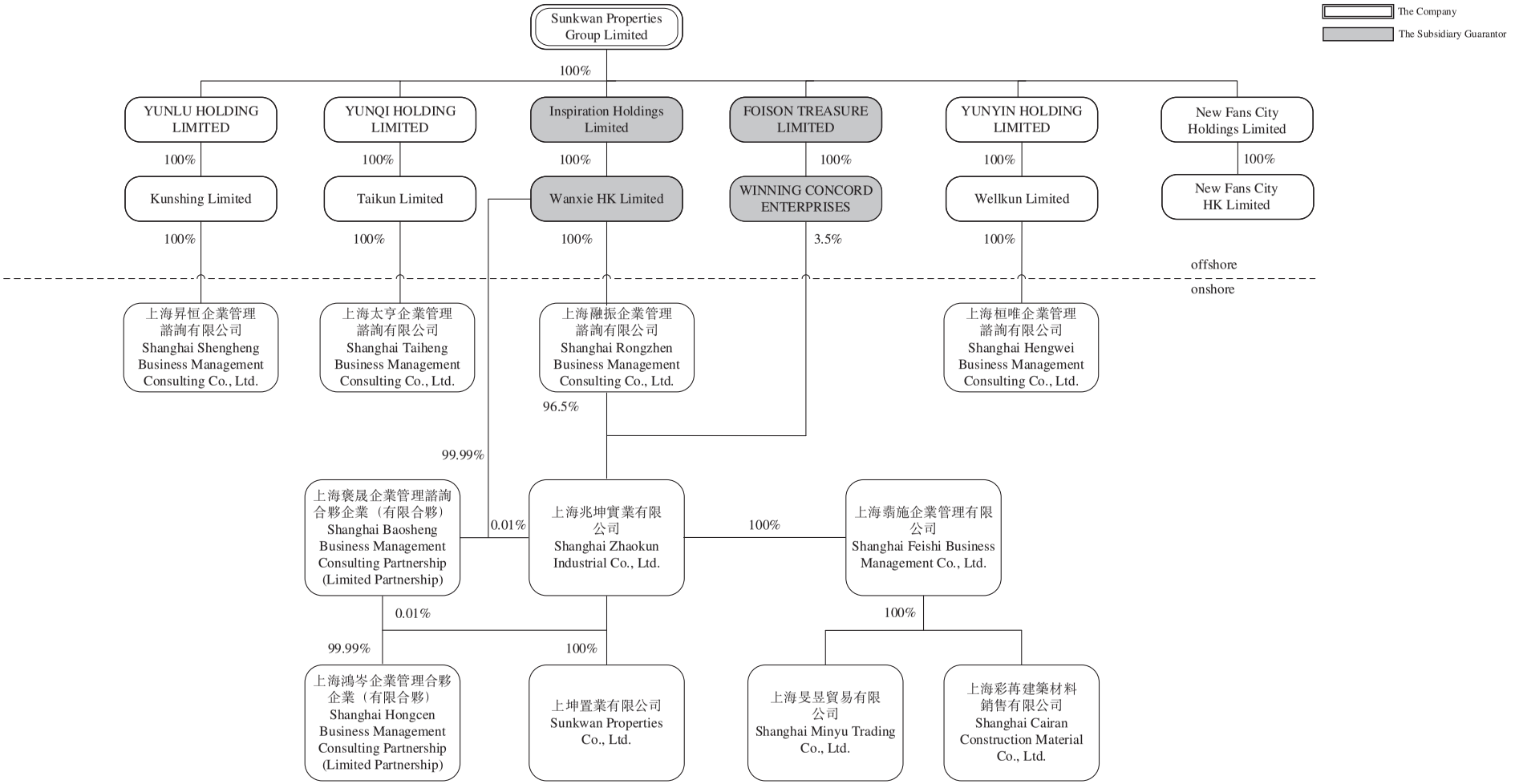
Share of Profits and Losses of Joint Ventures and Associates. Our share of profits and losses of joint ventures and associates increased from RMB7.5 million in 2019 to RMB234.9 million in 2020, mainly due to the increase in profits of the property projects delivered by the Group's joint ventures and associates during the year.

Income Tax Expense. Our income tax expense decreased by approximately 76.2% from RMB1,876.6 million in 2019 to RMB446.9 million in 2020, mainly due to a decrease of the current PRC LAT in 2020. The decrease of LAT was due to the lower gross profit of the delivered property projects during the Year.

Profit for the Year. Our profit for the year increased by approximately 30.8% from RMB676.9 million in 2019 to RMB885.2 million in 2020. Our profit attributable to the owners of the parent was RMB356.1 million, with a year-on-year increase of approximately 62.2% from RMB219.5 million in 2019.

CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of the date of this exchange offer memorandum:



OVERVIEW

We are a growing property developer with comprehensive experience focusing on the Yangtze River Delta Economic Region. We commenced our business through our first property project in Shanghai in 2010, and have since then further penetrated in the Yangtze River Delta Economic Region and expanded to other strategically selected regions, namely the Pearl River Delta Economic Zone and the Mid-China Core Economic Region. Adhering to our mission of "coming for livable (為宜居而來)," we have established a good brand image among our customers and in the industry through providing a wide range of residential properties with new technologies and artistic designs that cater to the various needs and preferences of different groups of customers and provide them with a smart, convenient and satisfactory living experience.

Our in-depth understanding of the market and customer preferences and strategic market expansion have contributed to our proven track record and also, increased our ranking from the 94th in 2019 to the 83rd in 2020 in terms of comprehensive strength among the "Top 100 Real Estate Developers in China" according to China Real Estate Top 10 Research Group, and from the 89th in 2019 to the 79th in 2020 and further to 78th in 2021 also in terms of comprehensive strength among the "Top 100 Real Estate Developers in China" according to China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal. Our commitment to quality product design, construction and development has also won us numerous awards and recognition throughout the years of development. We were recognized as one of the "2021 Top 10 China Real Estate Developers in China by Comprehensive Development," one of the "2020 Best 10 of Growth of China Real Estate Developers Brand Value" and one of the "Top 10 Real Estate Developers in China by Business Performance" in 2020 and we were named one of the "Top 10 Real Estate Developers in China by Growth Potential" in 2019 jointly by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal. We were also recognized as "Value Real Estate Enterprise of the Year" by National Business Daily and "2020 Enterprise with Comprehensive Quality in Real Estate" in 2020 jointly by 21st Century Business Herald and Bo'ao 21st Century Real Estate Forum. Furthermore, our solid presence in Shanghai has contributed to our success given its market size, access to finance, premium land parcels and quality talent pool. In 2019, we were ranked the 17th among the "Top 20 Real Estate Developers in Shanghai" jointly by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal.

Leveraging our understandings of the different characteristics among different cities and customer groups, we strive to develop high-quality residential properties for different customer groups. In terms of geographic coverage, we continue to penetrate our existing markets while expanding our distribution at the same time. Our residential property business originated from Shanghai and is deeply rooted in the Yangtze River Delta Economic Region, one of China's most dynamic economic regions with a high degree of openness, innovation and population growth. Through years of development, after first expanding into Jiangsu province in 2016, we subsequently expanded to other first-, second- and strong third-tier cities in the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region. As of December 31, 2021, our residential properties were located in 28 cities in eight provinces and municipalities. To implement our various development strategies to suit the needs in different markets, we offer a wide range of residential properties, including low- and high-rise apartment buildings, townhouses, houses and loft apartments through four standardized product series, namely the Season series (四季系), the Flourish/Peninsula series (樾山/半島系), Mindcloud series (雲系) and the Sumptuous series (S系). Each series caters to the demands of different customer groups with specific market positioning. In particular, in 2020, our Mindcloud series was awarded "2020 TOP 10 Ingenuous and Aesthetic Real Estate Product Series in China" by Leju News. In 2019, our Seasons series was awarded "2019 China Real Estate Brand with Original Products" and "Aesthetic Real Estate Product Series" by China Real Estate Top 10 Research Group and CRIC China, respectively.

While we focus on residential property development as our core business, as part of our development strategy, we also engage in the development of commercial properties to maintain a balanced development portfolio. Our development of commercial properties helps reduce volatility of revenue, diversify risk exposure, derive synergy and deliver stable cash flow for our business operations. As of December 31, 2021, we had investment interests in a commercial or residential property portfolio of eleven projects under various stages of development, including nine projects developed by our subsidiaries and two project developed by our joint venture, and nine of which were located in Shanghai. These projects included three completed office buildings, two completed commercial district shopping plazas, one completed business center and two mixed-use commercial property projects under development or held for future development.

Since our inception in Shanghai in 2010, we have been actively seeking suitable property development opportunities to ensure sustainable growth. As of December 31, 2021, we had investment interests in a property portfolio of 67 projects with a total land bank of approximately 7.0 million sq.m. and an aggregate GFA attributable to us of approximately 5.1 million sq.m., of which 42 were developed by us, and 25 were developed by our joint ventures and associates. For the property projects developed by us, GFA attributable to us for completed properties available for sale, lease or investment amounted to an aggregate of approximately 0.5 million sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 3.1 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.1 million sq.m. For the property projects developed by our joint ventures and associates, GFA attributable to us for completed properties available for sale amounted to 0.1 sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 1.3 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.04 sq.m. as of December 31, 2021.

With our high-quality property products, operational efficiency, sound development strategies, professional management team and industry recognized brand image, we experienced business expansion in 2019, 2020 and 2021. We had investment interests in 43, 66 and 72 property projects at various stages of development across 14, 21 and 28 cities in China as of December 31, 2019, 2020 and 2021, respectively. Our revenue amounted to RMB7,535.2 million, RMB8,190.6 million and RMB8,340.1 million (US$1,308.7 million) in 2019, 2020 and 2021, respectively. Our profit for the year amounted to RMB676.9 million, RMB885.2 million and RMB583.5 million (US$91.6 million) in 2019, 2020 and 2021, respectively.

RECENT DEVELOPMENTS

On January 3, 2022, January 21, 2022 and January 24, 2022, we issued the January 2022 Notes in the aggregate principal amount of US$160.2 million due 2023. See "Description of Other Material Indebtedness — January 2022 Notes" for more details.

On May 31, 2022, we issued the 2021 Environmental, Social and Governance Report.

On January 21, 2022, we have fully redeemed the 12.75% senior notes due 2022 upon maturity.

Concurrently with this Exchange Offer, we are conducting the Consent Solicitation.

OUR PROPERTY PROJECTS

Overview

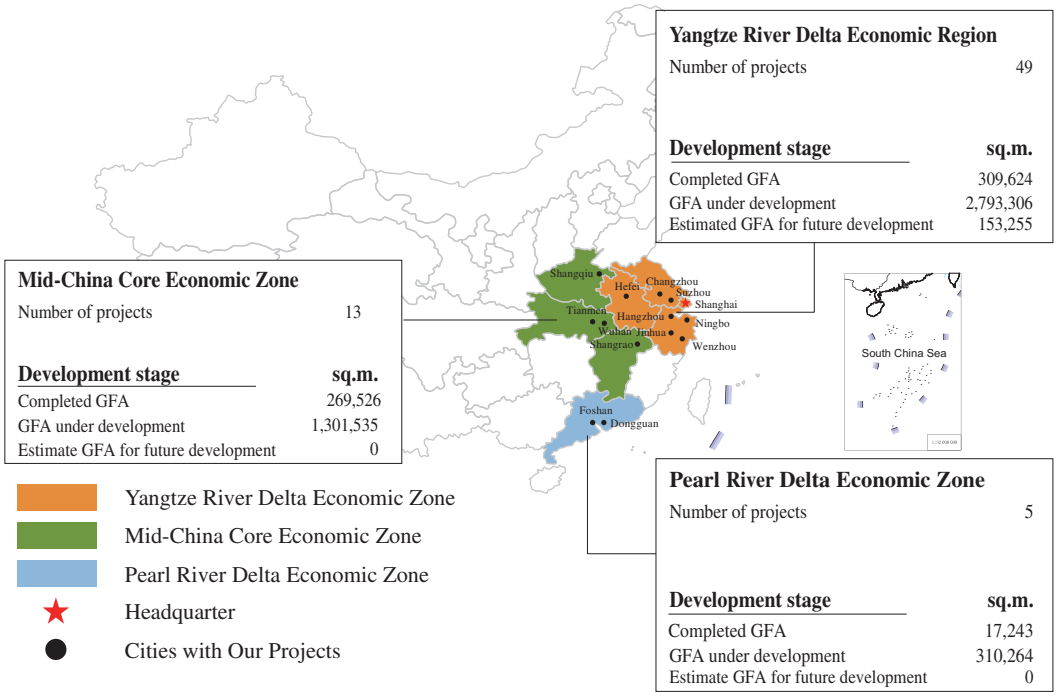
We are a growing property developer with ten years of experience in the real estate industry in China. We commenced our business through our first property project in Shanghai in 2010, and have since then further penetrated in the Yangtze River Delta Economic Region and expanded to other strategically selected regions. As of December 31, 2021, our property projects were located in 26 cities in eight provinces and municipalities across three core economic regions in China, namely the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and Mid-China Core Economic Region.

We have a diverse property portfolio with a focus on residential properties, and gradually reaching to a variety of commercial and mixed-use properties. Our residential properties primarily include low- and high-rise apartment buildings, townhouses, houses and loft apartments. To implement our design and market strategies more effectively and efficiently, we position our residential properties through four standardized product series, namely the Seasons series (四季系), featuring architectural elements of the four seasons and targeting mainly first-time home buyers and first-time home upgraders, the Flourish/Peninsula series (樾山/半島系) and the Mindcloud series (雲系), both targeting first- and second-time home upgraders, and Sumptuous series (S系), targeting luxury home upgraders and luxury home buyers, respectively. We implement distinguished design and marketing strategies for each product series, offering property projects that are specially centered on the preferences and needs of respective target customers to meet their expectations for ideal homes and residential communities.

We have also engaged in the development of commercial and mixed-use properties in Shanghai. For example, our signature project, Shanghai • Sunkwan Center, is a large multi-purpose commercial complex with office buildings, shopping plazas and hotel facility. Currently, our commercial properties primarily include retail spaces adjacent to our residential properties, commercial district shopping plazas and office buildings in Shanghai. We hold certain such commercial spaces as investment properties. As of December 31, 2021, we had investment interests in a commercial or residential property portfolio of eleven projects under various stages of development, including nine projects developed by our subsidiaries and two project developed by our joint venture, and all of which were located in Shanghai. We intend to leverage our existing human and capital resources to increase our commercial property holdings and gradually expand our commercial property investments in the future.

As of December 31, 2021, we had an aggregate GFA attributable to us of approximately 5.1 million sq.m., including (i) total GFA available for sale and leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development. As of December 31, 2021, we had investment interests in a property portfolio of 67 projects, including 42 projects developed by our subsidiaries and 25 projects developed by our joint ventures and associates. As of December 31, 2021, we had an aggregate GFA of 3.8 million sq.m. for properties developed by our subsidiaries, comprising (i) GFA available for sale of approximately 0.5 million sq.m., (ii) leasable GFA of approximately 73 thousand sq.m., (iii) GFA under development of approximately 3.1 million sq.m. and (iv) estimated GFA for future development of approximately 0.1 million sq.m. As of the same date, we had an aggregate GFA attributable to us of approximately 1.3 million sq.m. for properties developed by our joint venture and associates, comprising (i) GFA available for sale of approximately 1,355 sq.m., (ii) GFA under development of approximately 1.2 million sq.m. and (iii) estimated GFA for future development of approximately 39,761 sq.m. In particular, as of December 31, 2021, we had completed investment properties with an aggregate GFA attributable to us of approximately 123,348 sq.m., investment properties under development with an aggregate GFA attributable to us of approximately 158,060 sq.m., and investment properties held for future development with an aggregate GFA attributable to us of approximately 1,508 sq.m.

The following map shows the geographical locations and key information of our land bank on an attributable basis with respect to each development stage of our property developments, in three core economic regions as of December 31, 2021:



Classification of Our Property Projects

We generally classify our property projects into the following three categories:

- completed projects or project phases;
- projects or project phases under development; and
- projects or project phases held for future development.

A project or project phase is classified as completed when the required land use right certificates have been issued by the relevant government authorities and the completion certificates have been obtained from the relevant government construction authorities.

A project or a project phase is classified as under development when the required construction work commencement permits have been obtained but a completion certificate has not been obtained for all phases of the project.

A project or a project phase is considered to be held for future development when (i) we have obtained the land use right certificate, but have not obtained the requisite construction work commencement permits or (ii) we have signed a land grant contract for the underlying parcel of land with relevant government authorities, but have not obtained relevant land use right certificate.

As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories. As of December 31, 2021, we had entered into all land grant contracts for properties held for future development and had obtained all requisite land use rights and/or building ownership certificates according to the requirement under different development stages for properties under development and completed properties.

Detailed descriptions of each of our projects as set forth in this offering memorandum are as of December 31, 2021, unless otherwise dated. The commencement date relating to each project or each phase of a project refers to the date construction commenced on the first building of the project or project phase, as set out in the construction work commencement permits; for projects or project phases for which we have not obtained the first construction work commencement permit, construction commencement date is estimated by reference to our internal records and development plans. The completion date set out in the descriptions of our completed projects or project phases refers to the date on which the last property completion certificate/property inspection report; for projects or project phases for which we have not obtained the last property completion certificate/property inspection report, construction completion date is estimated by reference to our internal records and development plans.

Site area is calculated as follows:

- for projects or project phases for which we have obtained land use rights, based on the relevant land use right certificates; or
- for projects or project phases for which we have not obtained land use rights, based on the relevant land grant contracts.

Total GFA is calculated as follows:

- for projects and project phases that are completed, based on relevant property completion certificate or property inspection report;

- for projects and project phases that are under development, based on relevant construction work commencement permit, or based on other documentation issued by relevant government authorities if the construction work commencement permits are not available; and

- for projects and project phases that are held for future development, based on (i) GFA for which we have signed a land grant contract but have not obtained the relevant land use right certificates, and (ii) GFA for which we have obtained the land use right certificates but have not obtained the requisite construction work commencement permits, with reference to the multiple of 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.

Total GFA available for sale or saleable GFA is calculated as follows:

- for projects and project phases that are completed, saleable GFA is the sum of (i) completed GFA sold and delivered, and (ii) GFA available for sale, which is further divided into (a) completed GFA pre-sold but yet delivered, and (b) completed GFA unsold and available for sale, based on the relevant property ownership certificate or property inspection report;

- for projects and project phases under development, saleable GFA is as set out in the pre-sale permits or based on the construction work commencement permits for which we have not obtained the pre-sale permits; and

- for projects and project phases that are held for future development, based on our internal records and development plans. The total estimated GFA we intend to sell does not exceed the multiple of 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.

Unsaleable GFA as used refers to certain communal facilities and ancillary facilities, such as certain underground GFA, spaces for security office, civil air defense areas etc., for which pre-sale permits will not be issued.

A property is pre-sold when we have executed the purchase contract but yet delivered the property to the customer. A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer.

Land Bank and Property Portfolio

Our total land bank attributable to us represents the sum of (i) total GFA available for sale and leasable GFA for completed properties, which also includes completed GFA that have been pre-sold but yet delivered, (ii) total GFA under development, and (iii) total estimated GFA for future development.

The following table sets forth the GFA breakdown of our property portfolio as of December 31, 2021 in terms of geographic location:

		Completed		Under Development	Future Development		
	Number of Projects	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to Us[2][3]	% of Total Land Bank Attributable to Us
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Property Projects Developed by Our Subsidiaries							
Residential Property Projects							
Yangtze River Delta Economic Region							
Shanghai	2	—	—	83,185	—	83,185	1.6%
Hangzhou	2	—	2,449	163,813	—	166,262	3.2%
Ningbo	3	8,389	—	96,728	—	105,117	2.0%
Jinhua	3	72,575	—	230,399	—	302,974	5.9%
Suzhou (蘇州)	2	—	—	296,467	—	296,467	5.8%
Changzhou	1	95,550	—	—	—	95,550	1.9%
Nantong	1	—	—	79,883	—	79,883	1.6%
Fuyang	2	—	—	287,647	—	287,647	5.6%
Wuhu	1	—	—	185,255	—	185,255	3.6%
Nanjing	1	—	—	51,802	—	51,802	1.0%
Hefei	2	—	—	216,009	—	216,009	4.2%
Shaoxing	1	—	—	72,726	—	72,726	1.4%
Suzhou (宿州)	1	—	—	130,465	—	130,465	2.5%
Jiaxing	1	—	—	—	113,494	113,494	2.2%
Wenzhou	2	—	—	189,755	—	189,755	3.7%
Sub-total	25	176,514	2,449	2,084,134	113,494	2,376,591	46.2%
Mid-China Core Economic Region							
Shangrao	2	77,845	—	152,683	—	230,528	4.5%
Tianmen	1	18,867	—	—	—	18,867	0.4%
Wuhan	1	—	—	58,458	—	58,458	1.1%
Xinyang	3	—	—	513,431	—	513,431	10.0%
Shangqiu	1	172,814	—	—	—	172,814	3.4%
Sub-total	8	269,526	—	724,572	—	994,098	19.3%
Pearl River Delta Economic Zone							
Foshan	2	17,243	—	177,168	—	194,411	3.8%
Sub-total	2	17,243	—	177,168	—	194,411	3.8%
Commercial Property Projects							
Shanghai	7	3,561	70,625	158,060	—	232,246	4.5%
Sub-total	7	3,561	70,625	158,060	—	232,246	4.5%
Total	42	466,844	73,074	3,143,934	113,494	3,797,346	73.8%

	Number of Projects	Completed		Under Development	Future Development	Total Land Bank Attributable to Us[2][3]	% of Total Land Bank Attributable to Us
		GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development		
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Property Projects Developed by Our Joint Ventures and Associates							
Residential Property Projects							
Yangtze River Delta Economic Region							
Wenzhou	2	—	—	91,955	—	91,955	1.8%
Suzhou	3	1,355	—	164,608	—	165,963	3.2%
Jiaxing	2	—	—	40,980	38,253	79,233	1.5%
Shaoxing	1	—	—	30,437	—	30,437	0.6%
Lishui	1	—	—	64,256	—	64,256	1.2%
Nantong	1	—	—	14,261	—	14,261	0.3%
Hangzhou	1	—	—	21,895	—	21,895	0.4%
Wuxi	1	—	—	23,450	—	23,450	0.5%
Jinhua	2	—	—	58,415	—	58,415	1.1%
Bengbu	1	—	—	40,858	—	40,858	0.8%
Sub-total	15	1,355	—	551,115	38,253	590,723	11.5%
Mid-China Core Economic Region							
Wuhan	4	—	—	477,370	—	477,370	9.3%
Zhengzhou	1	—	—	99,594	—	99,594	1.9%
Sub-total	5	—	—	576,964	—	576,964	11.2%
Pearl River Delta Economic Zone							
Foshan	1	—	—	37,570	—	37,570	0.7%
Shantou	1	—	—	80,993	—	80,993	1.6%
Guangzhou	1	—	—	14,533	—	14,533	0.3%
Sub-total	3	—	—	133,096	—	133,096	2.6%
Commercial Property Projects							
Shanghai	1	—	49,162	—	—	49,162	1.0%
Jiaxing	1	—	—	—	1,508	1,508	0.0%
Sub-total	2	—	49,162	—	1,508	50,670	1.0%
Total	24	1,355	49,162	1,261,175	39,761	1,351,453	26.2%
Land bank attributable to the Group	67	468,199	122,236	4,405,109	153,255	5,148,799	100.0%
Total land bank	67	472,373	171,398	6,121,454	262,982	7,028,208	

Notes:

(1) Includes (i) completed GFA pre-sold but yet delivered, and (ii) completed GFA unsold and available for sale.

(2) Total land bank attributable to us equals to the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development, and (iii) total GFA for properties held for future development.

(3) For projects held by our joint ventures or our associates, total GFA attributable to us will be adjusted by our equity interest in the respective project.

Our Property Projects

The following table sets forth a summary of our property projects and project phases developed, including projects and project phases held for future development, as of December 31, 2021.

	Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]
			(in sq.m)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)
	Property Projects Developed by our Subsidiaries							
	Residential Property Projects							
	Yangtze River Delta Economic Region							
1	Shanghai • Flourish Neighbourhood (上海•樾裡)	Shanghai	50.0	—	—	11,254	—	11,254
2	Shanghai • Mindcloud Mountainview (上海•雲棲麓)	Shanghai	100.0	—	—	71,931	—	71,931
3	Ningbo • Cixi Phoenix Mansion (寧波•慈溪鳳鳴梧桐府)	Ningbo	30.0	2,932	—	—	—	2,932
4	Ningbo • Cixi Cloud Mansion (寧波•慈溪雲邸華府)	Ningbo	33.3	5,457	—	—	—	5,457
5	Ningbo • Cixi Crystal Seasons (寧波•慈溪晶萃四季)	Ningbo	53.6	—	—	96,728	—	96,728
6	Jinhua • Dongyang Metropolis Seasons (金華•東陽都會四季)	Jinhua	38.3	72,575	—	—	—	72,575
7	Jinhua • Dongyang Mindcloud Mansion (金華•東陽雲棲風華)	Jinhua	30.6	—	—	98,621	—	98,621
8	Jinhua • Lanxi Mindcloud Garden (金華•蘭溪雲錦桃源)	Jinhua	45.9	—	—	131,778	—	131,778
9	Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)	Hangzhou	100.0	—	2,449	—	—	2,449
10	Hangzhou • Mindcloud Imperial Garden (杭州•雲棲宸園)	Hangzhou	52.0	—	—	163,813	—	163,813
11	Shaoxing • Majestic Mansion (紹興•山語雲邸)	Shaoxing	51.0	—	—	72,726	—	72,726
12	Block B4, Wuzhen (烏鎮B4地塊)	Jiaxing	30.0	—	—	—	113,494	113,494
13	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	Wenzhou	50.0	—	—	71,745	—	71,745
14	Wenzhou • Yueqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Wenzhou	30.0	—	—	118,010	—	118,010
15	Nanjing • Mindcloud Garden (南京•雲棲風華璟園)	Nanjing	100.0	—	—	51,802	—	51,802
16	Suzhou • Lakeview Seasons (蘇州•望湖四季)	Suzhou	35.0	—	—	125,152	—	125,152
17	Suzhou • Kunshan Metropolis Seasons (蘇州•昆山都薈四季)	Suzhou	70.0	—	—	171,315	—	171,315
18	Changzhou • Mindcloud Peakview (常州•雲峯)	Changzhou	40.0	95,550	—	—	—	95,550
19	Nantong • Hai'an Changhong Waterfront City (南通•海安長宏水岸名城)	Nantong	49.9	—	—	79,883	—	79,883
20	Hefei • Mindcloud Mountainview (合肥•雲棲麓)	Hefei	51.0	—	—	107,549	—	107,549
21	Hefei • Crystal Seasons (合肥•晶萃四季)	Hefei	51.0	—	—	108,460	—	108,460
22	Wuhu • Joy Seasons (蕪湖•銘悅四季)	Wuhu	49.0	—	—	185,255	—	185,255
23	Fuyang • Majestic Mansion (阜陽•政務壹號)	Fuyang	51.0	—	—	204,848	—	204,848
24	Fuyang • Baolong Stone Art Town (阜陽•抱龍石藝小鎮)	Fuyang	50.0	—	—	82,799	—	82,799
25	Suzhou • Mindcloud Garden (宿州•雲棲園)	Suzhou	51.0	—	—	130,465	—	130,465
		Sub-total		**176,514**	**2,449**	**2,084,132**	**113,494**	**2,376,589**

	Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]
			(in sq.m)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)
	Mid-China Core Economic Region							
26	Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季)	Shangrao	100.0	77,845	—	—	—	77,845
27	Shangrao • Metropolis Seasons (上饒•都會四季)	Shangrao	100.0	—	—	152,683	—	152,683
28	Tianmen • Sunkwan Northlake Seasons (天門•上坤北湖四季)	Tianmen	100.0	18,867	—	—	—	18,867
29	Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Wuhan	51.0	—	—	58,458	—	58,458
30	Shangqiu • Sky Platinum (商丘•天鉑)	Shangqiu	60.0	172,814	—	—	—	172,814
31	Xinyang • Tianyue (信陽•天悅)	Xinyang	70.0	—	—	254,720	—	254,720
32	Xinyang • Tianjing (信陽•天境)	Xinyang	70.0	—	—	103,822	—	103,822
33	Xinyang • Tianxi (信陽•天璽)	Xinyang	70.0	—	—	154,889	—	154,889
		Sub-total		**269,526**	**—**	**724,572**	**—**	**994,098**
	Pearl River Delta Economic Zone							
34	Foshan • Mindcloud Mansion (佛山•雲棲公館)	Foshan	100.0	17,243	—	43,880	—	61,124
35	Foshan • Sunkwan Mindcloud Peakview (佛山 • 上坤雲峯壹號)	Foshan	100.0	—	—	133,288	—	133,288
		Sub-total		**17,243**	**—**	**177,168**	**—**	**194,411**
	Commercial Property Projects							
36	Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)	Shanghai	100.0	—	5,952	—	—	5,952
37	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	Shanghai	100.0	3,561	21,932	—	—	25,493
38	Shanghai • Flourish projects 08-06/08 (上海•樾山項目08-06/08)	Shanghai	50.0	—	—	158,060	—	158,060
39	Shanghai • Sunkwan Flourish Peninsula (Basement Clubhouse) (上海•上坤樾山半島地下部分)	Shanghai	50.0	—	1,725	—	—	1,725
40	Shanghai • Sunkwan International Plaza T3 (上海•上坤國際廣場T3)	Shanghai	100.0	—	14,727	—	—	14,727
41	Shanghai • Sunkwan International Plaza T4 (上海•上坤國際廣場T4)	Shanghai	100.0	—	14,805	—	—	14,805
42	Shanghai • Sunkwan International Plaza T5 (上海•上坤國際廣場T5)	Shanghai	100.0	—	11,484	—	—	11,484
		Sub-total		**3,561**	**70,625**	**158,060**	**—**	**232,246**

Property Projects Developed by Our Associates and Joint Ventures

	Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]
			(in sq.m)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)
	Property Projects Developed by Our Associates and Joint Ventures							
	Residential Property Projects							
	Yangtze River Delta Economic Region							
43	Wenzhou • West Lakeside Seasons (溫州•西湖四季)	Wenzhou	50.0	—	—	42,105	—	42,105
44	Wenzhou • Prosperous Seasons (溫州•潮啟四季)	Wenzhou	50.0	—	—	49,850	—	49,850
45	Jiaxing • Mindcloud Garden (嘉興•雲尚璟苑)	Jiaxing	50.0	—	—	40,980	—	40,980
46	Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Jinhua	34.0	—	—	23,262	—	23,262
47	Suzhou • Mindcloud Timeview (蘇州•雲棲時光)	Suzhou	90.0	—	—	148,796	—	148,796
48	Wuxi • Mindcloud Mansion (無錫•雲錦東方)	Wuxi	15.0	—	—	23,450	—	23,450
49	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Bengbu	51.0	—	—	40,858	—	40,858
50	Shaoxing • Zhuji Mindcloud Mansion (紹興•諸暨雲錦東方)	Shaoxing	49.0	—	—	30,437	—	30,437
51	Suzhou • TaicangMindcloud Mountainview (蘇州•太倉雲棲麓)	Suzhou	33.0	—	—	15,812	—	15,812
52	Nantong • Chenxing Garden (南通•宸星雅苑)	Nantong	15.6	—	—	14,261	—	14,261
53	Hangzhou • Yuezhen Mansion (杭州•樾臻府)	Hangzhou	24.9	—	—	21,895	—	21,895
54	Block B5, Wuzhen (烏鎮B5地塊)	Jiaxing	30.0	—	—	—	38,253	38,253
55	Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Jinhua	25.0	—	—	35,153	—	35,153
56	Lishui • Chongwenli (麗水•崇文里)	Lishui	30.0	—	—	64,256	—	64,256
57	Suzhou • Jade Seasons (蘇州•翡翠四季)	Suzhou	24.5	1,355	—	—	—	1,355
		Sub-total		**1,355**	**—**	**551,114**	**38,253**	**590,722**
	Mid-China Core Economic Region							
58	Zhengzhou • Seasons Fenghua (鄭州•四季風華)	Zhengzhou	49.0	—	—	99,594	—	99,594
59	Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峯)	Wuhan	70.0	—	—	24,912	—	24,912
60	Wuhan Yangluo P (2020) Lot 186 (武漢陽邏P(2020)186號地塊)	Wuhan	51.0	—	—	152,051	—	152,051
61	Wuhan • Yuehu Peninsula (武漢•樾湖半島)	Wuhan	36.3	—	—	15,483	—	15,483
62	Wuhan • Metropolis (武漢•大都會)	Wuhan	51.0	—	—	284,924	—	284,924
		Sub-total		**—**	**—**	**576,963**	**—**	**576,963**

	Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]
			(in sq.m)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)
	Pearl River Delta Economic Zone							
63	Foshan • Jinping Mountain No. 1 (佛山•錦屏山壹號)	Foshan	49.0	—	—	37,570	—	37,570
64	Shantou • Tanyue Mansion (汕頭•檀悅府)	Shantou	24.1	—	—	80,993	—	80,993
65	Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Guangzhou	20.0	—	—	14,533	—	14,533
		Sub-total		**—**	**—**	**133,096**	**—**	**133,096**
	Commercial Property Projects							
66	Shanghai • Sunkwan Center (上海•上坤中心)	Shanghai	50.0	—	49,162	—	—	49,162
67	Wuzhen No.B3 Land Parcel (烏鎮B3地塊)	Jiaxing	6.9	—	—	—	1,508	1,508
		Sub-total		**—**	**49,162**	**—**	**1,508**	**50,670**
	Land Reserves Attributable to the Group			**468,198**	**122,236**	**4,405,105**	**153,255**	**5,148,795**
	Total Land Reserves			**472,373**	**171,398**	**6,121,454**	**262,982**	**7,028,208**

Notes:

(1) Includes (i) completed GFA pre-sold but yet delivered, and (ii) completed GFA unsold and available for sale.

(2) Total land bank attributable to the Group equals to the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development, and (iii) total GFA for properties held for future development.

(3) For projects held by joint ventures or associates, total GFA attributable to the Group will be adjusted by the Group's equity interest in the respective project.

OUR PROJECT OPERATION AND MANAGEMENT

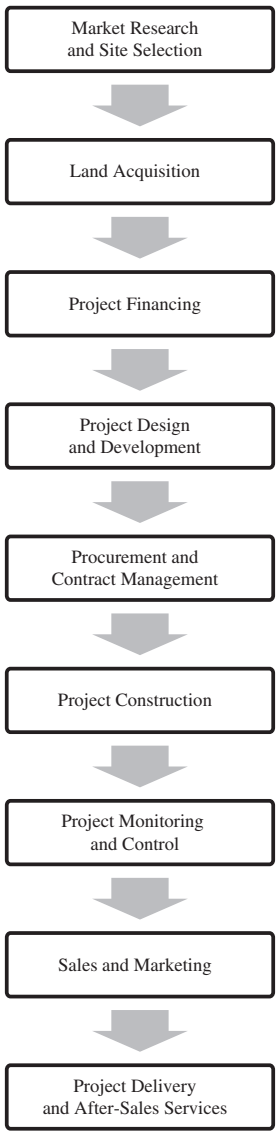
Our Project Development Process

We have demonstrated strong execution capabilities and experience with the development of various types of properties, ranging from residential properties to integrated mixed-use properties that include residential buildings, commercial district shopping plazas and other surrounding commercial spaces.

In terms of each potential project under consideration, we adopt three sets of project screening and evaluation criteria:

- Strategy criteria: we prudently pursue opportunities that are in line with our current and long-term development strategies, which requires us to evaluate macroeconomic factors such as the general economic conditions and local population for each potential opportunity;
- Market criteria: we collect local market intelligence to analyze the accessibility of a regional market, including its existing property inventory, average housing prices, historical turnover rate of competitors; and
- Financial criteria: finally, we utilize our standardized models to review detailed financial estimates of a potential project, including the GFA, estimated selling prices, anticipated economic returns and profitability, and time schedule for project development processes.

The required time for each property development stage may vary among projects depending on the geographical location and the size of the projects. The sequence of specific planning and execution activities may also vary among projects due to the requirement of local laws and regulations. The diagram below sets forth the major stages typically involved in our development of a project:



Market Research and Site Selection

We currently focus on land parcels in our target markets with an aim to achieve a high cash flow turnover rate. We have prioritized residential property projects in first-, second- and strong third-tier cities or cities we believe have high growth potential. For our commercial properties, we currently focus on property projects in Shanghai. As of December 31, 2021, the majority of our property projects had been located in the first- and second-tier and strong third-tier cities in the Yangtze River Delta Economic Region. With an aim to expand our geographical coverage, we have commenced to pursue suitable opportunities in Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and Mid-China Core Economic Region.

Prior to acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and make an informed decision based on a feasibility analysis and research. The key factors we consider in site selection include, among others:

- general local economic conditions;
- population, income level and purchasing power of local target customers;
- pricing and competition level of local real estate market;
- infrastructure, urban planning and future development plans of local government;
- growth trend of local real estate market, including housing supply and demand conditions, growth potential and local real estate policies;
- location of the land parcel in the city;
- site area of the land parcel;
- suitability of the land parcel for our established product positioning;
- estimated development costs and time and expected income returns;
- estimated profit margin for the relevant project;
- existing plot ratio and potential development scale of the land parcel; and
- complexity of the land ownership structure.

Our site selection process involves collaboration among departments with different functions, including investment and development, marketing, product design, procurement and cost control, operation management and finance. Once an in-depth feasibility study of a target land parcel is available, our investment and development department will lead a working group among these departments and hold a meeting regarding the feasibility of the target land parcel to evaluate such investment opportunity. The results of such evaluation will be submitted to our investment strategy committee for consideration and final approval.

Land Acquisition

We acquired land for our projects through public tender, auction or listing-for-sale or acquiring equity interest in companies that possess land use rights. We also cooperated with third-party business partners through joint ventures and associates to participate in land acquisition.

We have also acquired land parcels from third parties by acquiring equity interests in companies that possess land use rights and we may continue to do so in the future. As acquiring land parcels at competitive price is critical to our development strategy, we will employ the acquisition strategy that we believe will best meet such goal.

In conjunction with the acquisition of land use rights from the PRC government, property developers in China are required to pay a land grant premium to the relevant government authority and apply for a land use right certificate (if applicable, a real estate right certificate) conferring land use rights.

Project Financing

The real estate industry is capital intensive and financing is an important source of funding for property development. We employed diversified financing channels to finance our operations primarily through (i) internally generated cash flows including proceeds from the pre-sales and sales of our properties and (ii) external financings, such as borrowings from commercial banks, asset management, trust financing, and other financing arrangements.

Product Design and Development

As of December 31, 2021, our in-house product design and development team comprised of 60 employees, with an average of more than ten years of experience in architectural design and development. We strive to develop creative and versatile products that best suit the needs of our target customers. We endeavor to deliver quality functional and sustainable property projects that embrace and adhere to our "5U product standard" design philosophy, which emphasizes on space, green ecology, interior design, management services, and home automation. In particular, through our property projects, we aim to build holistic communities that seamlessly integrate nature, comfort, well-being, technology, and security with architectural design. In addition, we adopt a differentiation strategy by offering projects that share no major comparable characteristics with neighboring projects in close proximity to avoid direct competition.

When developing a project, we first determine which product line the current project to be developed should belong to, based on the features of the land parcel and our preliminary market researches. Our product design and development department formulates a master planning and design specifications for the project under development by following the applicable standardized design model. The master planning and design specifications shall meet our product design philosophy and standards and conform to our cost control and operational requirements.

In addition, we collaborate with several leading third-party architectural and design firms, to prepare more detailed architectural plans and design drawings based on our master planning and design specifications. We believe long-term collaboration with these third-party firms can help us save time and costs of production, help them better understand our project requirements, and we expect to deepen our cooperation with such firms in the future.

Procurement and Contract Management

Procurement

We are responsible for procuring certain specialized construction materials and equipment such as elevators and air conditioning systems directly from suppliers in China through tender processes on an as-needed-basis. Sometimes we procure construction materials and equipment from suppliers with whom we have established a long-term business relationship. We also enter into strategic cooperation framework agreements with some suppliers for construction materials and equipment procurement in order to secure a stable supply of construction materials and hardware at competitive prices.

In addition, we rely on third-party construction contractors in China to procure certain construction raw materials, such as steel and concrete, although we typically designate the brands, suppliers and quality requirements of these construction materials as part of our construction agreements. With respect to most of our general contracting agreements, the construction contract price will be adjusted if the market price fluctuation of such materials exceeds a certain threshold (typically 5% to 15%), and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. In 2019, 2020 and 2021, fluctuations in the construction raw materials did not exceed the relevant threshold in the majority of the relevant agreements we had with our construction contractors. Nonetheless, as we typically pre-sell our properties prior to their completion, we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. See "Risk Factors — Risks Relating to Our Business and Industry — Fluctuations in the labor costs and the price of raw materials could adversely affect our business and financial performance."

Our construction management teams oversee the quality of each project development, conduct on-site inspection and pre-examine the construction materials before they are used in the projects. Our construction materials are primarily purchased from suppliers in China. As of the date of this offering memorandum, we did not experience any shortage or delay in the supply of construction materials and equipment that had a material adverse effect on our business operation.

Third-Party General Contractors and Subcontractors

We outsource all of the construction work of our property development projects to qualified general contractors. We usually engage a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. Several of the general contractors we have worked with hold the Premium Grade Constructor Qualification in China. In addition, subject to the detailed construction requirements of the projects, we also involve specialized contractors in specific areas, such as landscaping and foundation works. We believe that outsourcing our construction work could allow us to leverage the expertise of the construction contractors, minimize certain risks and focus on our principal business of property development.

We identify and establish strategic relationships with certain high-quality general contractors who can meet our quality and time requirements and are familiar with our business model and corporate culture, so that we are able to better control development costs, improve operating efficiency and enhance standardized product implementation.

As of the date of this offering memorandum, we did not experience any material delay or failure to complete the construction work of any of our projects according to our planned specifications by our contractors which might have a material adverse impact on our business, financial conditions and results of operations. Moreover, as of the date of this offering memorandum, we were not involved in any dispute with our contractors nor were there any case of material personal injury or death involving contractors that had a material adverse effect on our business.

Project Construction

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use right certificate, the construction land planning permit and the construction work planning permit are obtained). As of the date of this offering memorandum, we did not experience any significant delays in obtaining the aforesaid certificates and permits. As of the date of this offering memorandum, except for the projects we had not commenced construction, we had obtained land use right certificates and all relevant certificates and permits as required by the PRC laws and regulations for all of our projects under development and projects held for future development.

Project Monitoring and Control

Quality Control

High quality properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality property products. Our quality control department formulates construction implementation schedules, provides supervision and conducts periodic reviews of construction quality throughout the construction process.

We inspect and review the qualification and performances of our construction contractors regularly to ensure they are performing up to our standards. We also perform extensive due diligence in the selection of other service providers, including external architectural and design firms as well as raw material suppliers, based on factors such as their quality, reputation and track record.

Based on the quality and technical standards stipulated by the national authorities, we have established a comprehensive set of stringent standardized technical and quality control guidelines that provide detailed requirements as to quality control standards and specifications for all major aspects of our construction processes. Our quality inspection guidelines calls for regular inspection of all our construction sites to ensure quality and safety at the project company level.

In compliance with relevant PRC laws and regulations, we also engage qualified construction supervision companies to monitor certain aspects of our project construction, who shall report the progress and the quality conditions of the projects on a regular basis.

We endeavor to deliver property projects that are safe, user-friendly and environmentally-friendly. Our Shanghai • Sunkwan Flourish Seasons has been BREEAM-certified (Building Research Establishment Environmental Assessment Method-certified) by the BRE Group in 2018 for its sustainability. In addition, our signature commercial complex Shanghai • Sunkwan Center received "Leadership in Energy and Environmental Design (LEED-LC) Gold Certification" in 2019 from U.S. Green Building Council in recognition of our commitment to the environment and construction quality and safety.

As of the date of this offering memorandum, we had not encountered any quality problems nor received any complaints about the quality of our projects that would have a material adverse impact on our business. There was no material violation of currently applicable PRC labor and safety regulations nor were there any material employee safety issues involving us. As of the date of this offering memorandum, no fines or penalties for non-compliance of PRC labor and safety laws and regulations were imposed on us.

Progress Control

We adopt the rapid-asset-turnover policy which requires significant operating efficiency and project execution capability during our property development process. We have established a project schedule management system that specifies the timeframe in which each check point needs to be achieved during the project development process. Any delay to a check point will draw the immediate attention of our management at our headquarters, so that our management are able to track and adjust such schedule in accordance with market conditions. Such project schedule management system enables us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays to the final schedule. Once a delay to a check point is identified, our regional and project companies and our operation management department at our headquarters will aim to implement remedial measures to shorten the time frame for future milestones to ensure that the overall project timeline will not be compromised or to reduce the impact of such delay. In addition, we provide project construction timelines in our agreements with third-party construction contractors and will closely monitor to ensure that such timeline is met.

Cost Control

We have established a comprehensive cost management system to set the relevant budget for our projects, including how to assess the different cost components. For each project, the relevant regional and project company, as approved by its general manager, shall prepare a master budget, which will be submitted to the operation management center and finance management center at the headquarters level and then ultimately approved by our chief executive officer. Our investment and development department works closely with our operation management center in the early stages of project development in order to more effectively assess and determine the feasibility and viability of a potential project in a cost-benefit manner. If any amendment to the original budget plan is needed, such amendment shall be reviewed and approved by our operation management center and finance management center.

We have established a dedicated cost and contract center at our headquarters to approve and monitor all construction and supplier agreements. The cost and contract center is responsible to review and ensure that the relevant contracted amount and payment schedule is in accordance with those set forth in our master budget. Our finance management center and cost and contract center review and verify the actual costs incurred in detail and compare such costs with the master budget and with similar expenses incurred at our other projects on a monthly basis. Such cost control procedures enable our management to identify and anticipate situations where actual cost may exceed the initially approved budget and to take the appropriate remedial measure in a timely manner. In the event that the master budget for a project needs to be revised, approval from our senior management must be obtained. In addition to our cost control procedures, our centralized procurement of certain specified construction materials and equipment also contribute to our ability to control development cost.

Sales and Marketing

Branding, Sales and Marketing

We endeavor to distinguish ourselves from our peers in terms of our mission, which is "coming for livable (為宜居而來)." Thereby, we pay substantial attention to build our reputation and brand recognition in the real estate industry in China. For example, in 2020, our Mindcloud series was awarded "2020 TOP 10 Ingenuous and Aesthetic Real Estate Product Series in China" by Leju News. In 2020, our Shanghai • Mindcloud Mountainview was awarded "China Quality Real Estate 2020 – Shanghai" by Leju News. Our Shanghai • Flourish projects won us "2019 China Real Estate Brand with Original Products" by China Real Estate Top 10 Research Group and was named an "Aesthetic Real Estate Product Series" by CRIC China in 2019. Our Flourish/Peninsula series was given "Living Aesthetic Design Award" by China Real Estate Association in 2019. We seek to utilize our brand name and reputation to continue to promote and expand our brand awareness.

We adopt a wide range of marketing campaigns and activities carefully designed to promote our property projects as well as our "Sunkwan" brand awareness. We implement traditional marketing efforts, including outdoor billboards, advertisement on newspapers, magazines and internet. We also take advantage of various new marketing channels to expand our reach to potential customers. For example, we organize charitable promotional events, such as charity bazaars and charity cycle rides, walkathons and community services. We launch "To the Heroes of Our City" campaign which allocates part of our marketing budget to acknowledge the people who serve our communities, such as construction workers, mailmen and police as part of our marketing effort to promote our reputation and raise our brand awareness in new cities that we enter into. Our Sunkwan Ceramic Art Museum is another example of our efforts to promote brand awareness and reinforce our brand attraction among local residents.

Our in-house sales and marketing team was established at both headquarters and regional level. Our marketing management department involves from the early stage of project development to ensure that our property developments are well positioned and priced. They provide valuable information relating to our target market, local pricing information, pricing of competitive projects, customers and estimated sales velocity. The marketing management department at our headquarters is in charge of formulating marketing strategies, setting marketing goals, monitoring marketing budget and evaluating the performance of our local sales and marketing team. On the other hand, the local sales and marketing teams are responsible for the formulation and execution of detailed project marketing plans. We primarily rely on the efforts of our in-house sales and marketing team for the sales of most of our properties. By establishing and strengthening our own sales and marketing team, we are better positioned to gain deeper understanding of the market in order to improve our marketing and pricing efforts, and able to identify industry trends and customer demands that can benefit in optimizing our products.

In new markets where we have limited resources, depending on market conditions and our overall sales condition of the particular project, we may engage third-party sales agents to facilitate the marketing and sales of our projects. These sales agents promote our property projects through their own marketing networks and bring in potential customers in their database to our project sites. In consideration of their services, we typically pay a commission depending on the total sales amount they make. As of the date of this offering memorandum, we were not involved in any dispute with third-party sales agents that had a material adverse effect on our business. With our continued efforts in building up our in-house sales and marketing team, we plan to rely more on our in-house sales and marketing team going forward to have better control and overall planning in our sales and marketing activities.

Pricing

Prior to the launch of pre-sale for each project, our branding and marketing center will establish the overall marketing budget, estimated project profit margins and target ASPs based on the feasibility study conducted for the project and our overall strategic plans. Marketing budget plans and target prices are then reviewed and modified at the end of each year by our branding and marketing center, based on the then market condition and actual pre-sale activities of each project. The relevant regional project company shall follow the price guidance provided by the headquarters and establish the detailed sales schedule and the ASPs. We price our properties primarily based on the estimated total costs and target profit, while also taking into account the prices of comparable projects in neighboring communities and recent prevailing market price trends. Our sales and marketing team at the project company level will closely monitor and analyze the pricing strategies and promotion campaigns of other competing properties and propose adjustment to our marketing and pricing strategies as appropriate.

Due to the highly competitive and evolving nature of real estate industry in China, we are required to constantly monitor the changing market condition and adjust the sales prices of our projects. We have adopted a dynamic realizable-market-value-based inventory management approach in the entire life cycle of a property project, focusing on maximizing returns for our property projects, optimizing cash position and responding quickly to market changes. Price adjustment, whether upwards or downwards, is usually proposed by the sales and marketing team at the project company level, which will first be submitted to the district project management office for consideration, then to the sales and marketing department at our headquarters level for final review and approval.

Pre-sale

We generally commence the pre-sale of our properties prior to completion of construction. Prior to starting pre-sale, we will complete and stage select demonstration units and display areas in order to provide visual presentations to our customers to demonstrate the quality of our products. We launch pre-sale upon the receipt of pre-sale permits in accordance with the PRC laws and regulations. Among others, we must fulfill the following conditions before we can obtain the pre-sale permits:

- the land premium is paid in full and the land use right certificate must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;
- in terms of the properties put into pre-sale, at least 25% of the total amount of the investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained;
- the progress of the construction should meet the local government's requirements for pre-sale; and
- the pre-sale has been registered.

As of the date of this offering memorandum, we did not experience any significant delays in obtaining the pre-sale permits. In addition, property developers are also required to use a standard pre-sale contract prescribed by the relevant local authorities. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sales with the relevant local authorities and provide warranties on the quality of properties we sell to our customers for periods shorter than that for the quality warranties we receive from our construction contractors under the relevant construction contracts.

Pre-sale Proceeds

Under the current PRC laws, the deposit and use of pre-sale proceeds are restricted. See "Risk Factors — Risks Relating to Our Business and Industry — We face risks related to the pre-sale of properties from any potential limitations or restrictions imposed by the PRC government." The main purpose of governmental supervision for the pre-sale proceeds of commodity properties is to ensure the consummation of development of any property projects, and that there will not be any material delay in delivery of the property projects.

In 2019, 2020 and 2021, we used pre-sale proceeds to settle construction-related payments and used pre-sale proceeds for project-related costs and expenses including taxes, repayment of loans, mortgage deposit costs, miscellaneous expenses, and payment of cash advances as a return of early-stage contribution and cash input provided by shareholders as well as a support of business operations of relevant shareholders when such project related costs and expenses are permitted by or the use of relevant general escrow funds is not restricted by relevant local implementation rule governing the use of pre-sale proceeds. We had not been subject to any administrative penalty imposed by competent administrative authorities relating to the use of pre-sale proceeds in 2019, 2020, 2021 and up to the date of this offering memorandum. We had also obtained confirmations from and conducted interviews with the competent local government authorities with respect to the relevant project companies, which confirmed that we had complied with the relevant laws and regulations with regard to the use of pre-sale proceeds or that we had not been found to be in violation of the relevant rules and regulations regulating the use of pre-sale proceeds.

In 2019, 2020, 2021 and up to the date of this offering memorandum, certain of our non-wholly-owned subsidiaries provided cash advances to their non-controlling shareholders and us from pre-sale proceeds as a return of our early-stage contributions and cash input as well as a support of business operations of each shareholders. These pre-sale proceeds were provided after we considered the relevant PRC laws and regulations governing pre-sale proceeds and reviewed the working capital conditions of the relevant project companies. We only made such cash advances from pre-sale proceeds when the following conditions were met: (i) the use of pre-sale proceeds for such payments would not cause its total utilized amount exceeds the permitted amount; (ii) the use of pre-sale proceeds for such payments would not lead to a shortfall of deposited amount in the designated escrow accounts as compared to the regulatory threshold required to be maintained under the relevant PRC laws and regulations; (iii) such pre-sale proceeds are not subject to any specific use restriction according to the applicable rules and regulations at municipal level; (iv) relevant projects had fulfilled the conditions for releasing the restrictions on pre-sale proceeds; and (v) the project companies would have sufficient working capital after deducting the amount of the cash advances to be made. Also, in the event that there is any additional working capital needs arising from the jointly-developed projects, our business partners and we are required to timely repay the cash advances we received to the respective project companies.

As a result, we had not experienced any adverse effects on property development schedule and operations of our project companies caused by the cash advances to non-controlling shareholders and our Group from pre-sale proceeds in 2019, 2020, 2021 and up to the date of this offering memorandum. In addition, according to the General Lending Provisions (貸款通則), a regulation promulgated by the PBOC in 1996, only financial institutions may legally engage in the business of extending loans and loans between companies that are not financial institutions are prohibited. The abovementioned cash advances to shareholders may not comply with the General Lending Provisions regardless of whether interests are charged or not. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. As of the date of this offering memorandum, we had not received any notice of claim or penalty relating to such advances. Under normal circumstances, taking into account the fact that there was no income generated from such advances since the abovementioned advances were all interest-free, the possibility that the PBOC would impose a penalty on the companies in respect of the abovementioned advances pursuant to the General Lending Provisions is low.

Payment Arrangements

Our customers can make the payment in lump sum by cash or by installments with mortgage financing. Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In line with market practice in China, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. As of December 31, 2019, 2020 and 2021, our outstanding guarantees over the mortgage loans of our customers amounted to RMB7,570.3 million, RMB6,325.0 million and RMB7,855.9 million (US$1,232.8 million), respectively. As of the date of this exchange offer memorandum, we did not encounter any default by purchasers that had a materially adverse impact on our business operations.

Project Delivery and After-sales Services

Project Completion and Delivery

We strive to deliver completed properties to our customers within the time frame prescribed in the respective pre-sale or sales contracts. Before delivery of properties to our customers, we may obtain the relevant completion certificate or other certificates as required under the respective sales contracts as well as the local laws and regulations. See " Regulation — Sale of Commodity Properties" for further details. It typically takes approximately one to two years from the commencement of pre-sale to the date of the completion certificate, depending on the scale of the properties. As of the date of this offering memorandum, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sales.

To help ensure timely delivery of our properties, we closely monitor the construction progress of our projects and conduct pre-delivery property inspections. Our quality control and management center inspects the properties prior to delivery to ensure that our quality standard has been met. We will notify our customers before the delivery date stipulated in the sales contracts to arrange the delivery procedures.

We will assist our customers in obtaining their individual property ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant an individual property ownership certificate or a real estate right certificate for each property unit afterwards.

According to our accounting policies, our revenue is recognized when the properties are delivered to our customers. The recognition of our revenue from sales of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

Warranties

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Regulations for the Operations of Urban Property Development (《城市房地產開發經營管理條例》). In addition, we also provide quality warranties for certain fittings and fixtures, if applicable, usually for a period of two years, according to the published national standards.

In general, we allow for returns of our properties in circumstances where there are material delays in the delivery of our properties which exceed the periods stipulated in the relevant sales contracts, material quality defects with respect to our properties, material changes made by us to the design of the properties which result in changes in areas such as property layout, spatial dimension and orientation, and material discrepancies in the GFA of our properties delivered as compared to the GFA stipulated in the sales contracts.

We may receive customer claims in relation to the quality of properties we developed from time to time. Generally, we coordinate with contractors to respond to such customer claims. As of the date of this offering memorandum, we had not been involved in any material claims or received any material complaints with respect to the quality of our building structures or other fittings which cannot be rectified by the relevant contractors in accordance with their warranty provisions of the relevant contracts.

After-sales Services

We rely on our customer service team at our branding and marketing center to provide after-sale services. Our customer service team is also responsible for collecting and analyzing customer evaluations and feedbacks through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedbacks to the construction management team to improve our operation, including project design and marketing strategies.

In addition, we are also subject to customer complaints in relation to the delay in delivery of property title documents due to various reasons, including registration, approval and certification production procedures by relevant property right authorities, which have taken longer time than expected. To speed up the registration and approval process, we seek to increase our communication with relevant government authorities and actively follow up on the status of certificate applications. As of the date of this offering memorandum, we had not had any material disputes or received any material customer complaints.

MANAGEMENT OF INVESTMENT PROPERTIES

Our Investment Properties

Though most of our properties are for sale, we strategically retain certain quality properties for long-term investment purpose, which enables us to diversify our investment portfolio, generate a stable revenue stream and leverage potential asset appreciation. We mainly conduct property investment and operation businesses by way of direct commercial leasing. Although we currently focus on the development of properties for sale, we will in the future increase our investment property portfolio in response to changing market conditions and customer demand.

The total GFA attributable to us of our investment properties was approximately 270,728 sq.m., 267,634 sq.m. and 197,860 sq.m. as of December 31, 2019, 2020 and 2021, respectively. The revenue generated from leasing our investment properties, which does not include revenue generated from the sales and leaseback arrangement for Shanghai • Sunkwan Upper Commercial Plaza, amounted to RMB49.1 million, RMB37.6 million and RMB46.0 million (US$7.2 million) in 2019, 2020 and 2021, respectively.

The following table set forth the basic information regarding our completed investment properties as of December 31, 2021.

City	Project Name	Actual Construction Completion Date	Actual Total GFA Held for Investment	Occupancy Rate[1] As of December 31, 2021
			(in sq.m.)	(%)
Shanghai	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街) (investment)	October 18, 2016	21,932	85
Shanghai	Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)	November 7, 2016	5,952	76
Shanghai	Shanghai • Sunkwan International Plaza Tower 3 (上海•上坤國際廣場三座)	June 2, 2017[2]	14,727	90
Shanghai	Shanghai • Sunkwan International Plaza Tower 4 (上海•上坤國際廣場四座)	June 2, 2017[2]	14,805	90
Shanghai	Shanghai • Sunkwan International Plaza Tower 5 (上海•上坤國際廣場五座)	June 2, 2017[2]	6,553	90
Total			**63,969**	

Notes:

(1) Calculated as leased and managed GFA divided by total leasable GFA.

(2) The Company acquired the project companies of Shanghai Sunkwan International Plaza Tower 3, Tower 4 and Tower 5 from an independent third party at an aggregate consideration of RMB617.5 million.

Lease Agreements

Our investment properties generally have lease terms ranging from three to six years. Some of our leases are at a fixed rate with a performance premium component. Leases are generally calculated as the higher of (i) fixed rates during a pre-determined period that then escalates based on an agreed upon rate through the remainder of the lease term, generally through an annual percentage increase; or (ii) performance premiums calculated based on a pre-determined percentage of the retail gross revenue of the tenants.

To maintain the competitiveness and profitability of our investment properties, we closely monitor the operation and performance of individual stores to assess their appeal to customers and their ability to pay rents on time. We conduct daily on-site inspection to monitor our tenants' operational activities and we collect statistics on our tenants' operational conditions in order to review our tenants' performance and analyze their ability to fulfill lease agreement. Occasionally, we organize various marketing activities among our tenants. We may propose lease adjustment during the negotiations for the renewal of lease contracts with our tenants based on our tenants' performances.

Selection, Merchandizing and Management of Tenants

We seek to maintain a high-quality tenant base and establish long-term relationships with tenants. We have established and maintained a database which consists of quality brands selected from marketing events and historical business relationships and which serves as the primary source for potential tenants. In assessing new tenancies, we take into consideration factors including nature of trade or business, brand attractiveness, ability to afford the rent, etc. Due to the negative impact e-commerce has had on the retail market, we intend to increase the proportion of our tenancy in the food and beverage, entertainment, education and sports businesses. As of December 31, 2021, the database consisted of 300 brands, many of which are internationally and nationally well-known.

Marketing and Promotion

To maintain a high occupancy rate of our investment properties, we have formulated a set of marketing strategies and developed activities both online and offline using internal and external sources to promote our commercial and mixed-use properties and attract visitors, including advertisement through social media, internet, outdoor billboards and display. We also collaborate with our tenants, including restaurants and retailers, to organize various sales and marketing activities, such as new year's eSport carnival, Labor Day golden week and Halloween celebrations. We intend to host and organize various additional marketing activities, such as annual celebration, parent-child bonding activities, performances, shows and game competitions in the future.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers and construction contractors. Some of our general contractors and subcontractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted the relevant group companies as our major suppliers. As such, our five largest suppliers accounted for approximately 34.3%, 34.5% and 32.0% of our total purchases in 2019, 2020 and 2021, respectively. Our largest supplier in 2019, 2020 and 2021 accounted for approximately 8.9%, 11.1% and 10.0% of our total purchases, respectively. As of December 31, 2021, our business relationships with these major suppliers had generally been over two years.

We believe construction industry in China is generally competitive and fragmented and construction contractors are readily available. We are able to secure sufficient supplies in a timely manner at comparable cost if one or several of current suppliers fail to provide us with contractor service and raw materials in the quantity and quality meeting our requirements.

Our customers are mainly individuals and corporate purchasers of our properties as well as tenants of our investment properties. Due to the nature of our business, in 2019, 2020 and 2021, and revenue contributed by our five largest customers accounted for less than 5.5% of our total revenue in 2019, 2020 and 2021, respectively.

INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have extensive trademark registrations to protect all respects of our business operations. As of December 31, 2021, we had 32 trademarks for our business operations in China and one trademark in Hong Kong.

As of the date of this offering memorandum, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

INSURANCE

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their property development operations. We maintain contractors' all risks insurance for certain of our residential property development projects. We generally maintain property insurance, contractors' all risks insurance or third-party liability insurance for our commercial property projects held for investment. We require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements.

Though our practice is in line with industry practice, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations.

PROPERTIES FOR SELF-USE

As of December 31, 2021, we owned certain portions of Shanghai • Sunkwan International Plaza Tower 5 with a total GFA of approximately 4,931 sq.m. as our office spaces.

LEASED PROPERTIES FOR SELF-USE

As of December 31, 2021, we leased a number of properties with a total GFA of approximately 8,637 sq.m. from lessors to support our business activities and operations in China. All of these leased properties are used as office space. Our leases generally have a term ranging from four months to ten years, and we expect to renew the leases upon their expiry.

INFORMATION TECHNOLOGY

We rely on the effective operation of our IT systems for our business operations. Our IT team is responsible for developing and maintaining an IT system that keeps pace with our business expansion and is customized to meet our business needs. The centralized IT systems is controlled and operated by our headquarters.

We have implemented enterprise resource planning and office administration systems to facilitate our operations, from product design, procurement, property development, human resources, financial and accounting, and customer services. Our standardized operating metrics, such as site selection and land acquisition criteria, are built in the centralized IT systems, which is linked to our office automation online approval function, ensuring that only procedures following our standardized models can be approved and proceeded. Our streamlined IT systems reduce processing time and labor costs and increase efficiencies and productivity as well as broaden inter-departmental coordination.

We face increasing security risks and threats from cyberattacks with respect to our IT systems. We require our staff to follow our management guidelines on our IT systems and safeguard information in the system. To help combat such attacks, we have also established emergency recovery systems to keep regular data backups. As of the date of this offering memorandum, we had not experienced any disruptions to our IT systems that materially impacted our business operations.

EMPLOYEES

As of December 31, 2021, we had 1,083 full-time employees, all of whom were based in China. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2021:

Function	Numbers of employees	% of all employees
Management	20	1.8%
Construction Management/Quality Control	165	15.2%
Finance	96	8.9%
Product Design and Development	60	5.5%
Sales, Marketing and Customer Services	471	43.5%
Procurement and Cost Control	60	5.5%
General Administrative	32	3.0%
Human Resources	40	3.7%
Operational Management	21	1.9%
Investment	45	4.2%
Fund and Financing Management	28	2.6%
Business	30	2.8%
Others	15	1.4%
Total	**1,083**	**100%**

We actively recruit skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and online recruiting. We have established systematic training programs for our employees based on their positions and expertise. For example, we established "Sunkwan e-Learning Platform" in September 2018, which regularly updates our employees on the latest government policies relating to the real estate industry. Our employees are required to complete weekly training programs and assessments tailored to their specific department on our e-Learning platform. Apart from e-Learning, we also provide our employees with continuing seminars, workshops and vocational trainings by external professionals to expand their expertise and professional knowledge.

In addition, we contribute to social insurance for our employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. There were no material labor disputes, incidents, non-compliance or labor-related legal proceedings against us as of the date of this offering memorandum.

ENVIRONMENTAL MATTERS

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property development projects is required under PRC laws to undergo environmental impact assessments. We must submit the relevant environmental impact study or report to the environmental authorities, along with other required documents, for evaluation and approval by the authorized environmental protection administrations. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon the completion of each project, the relevant government authorities will inspect the site to ensure that all applicable environmental standards have been complied with before the property can be delivered to the purchaser.

To ensure our compliance with the relevant environmental rules and regulations, we take specific measures, including: (i) strictly selecting construction contractors and supervising the construction process, (ii) applying for review by the relevant government authorities in a timely manner after the project is completed, and (iii) actively adopting environmentally friendly equipment and designs.

None of our properties had received any fines or penalties associated with the breach of any environmental laws or regulations that would have a material adverse impact on our business, financial condition or results of operations as the date of this offering memorandum.

RISK MANAGEMENT

We believe that risk management is crucial to the success of any property developer in China. Key operational risks that we face include changes in the political and economic conditions in China, changes in the regulatory environment in China, availability of suitable land sites for developments at reasonable prices, availability of financing to support our developments, ability to complete our development projects on time and competition from other property developers. In addition, we also face various financial risks. In particular, we are exposed to interest rate, foreign exchange, credit and liquidity risks that arise in the ordinary course of our business.

We embed a culture of compliance in the daily work routine of our employees through regular compliance trainings, and set various expectations for our employees' work performances in terms of compliance.

LEGAL PROCEEDINGS

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, including claims primarily relating to disputes arising from agreements with third-party contractors and suppliers, property purchase agreements and lease agreements with our customers.

Due to the nature of our business, we may from time to time be involved in disputes with our pre-sale property purchasers and other third parties. See "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers, employees, tenants or other third parties, and may face significant liabilities as a result" for details.

NON-COMPLIANCE

During 2019, 2020 and 2021, we had sales and leaseback arrangement for Shanghai • Sunkwan Upper Commercial Plaza. We sold commercial units to the buyer-lessors, which were independent third-party property buyers and investors whom we attracted through ordinary channels of marketing and advertising, through our subsidiary, Shanghai Qianrong, while the buyer-lessors later entered into management and operation agreement with our another subsidiary, Shanghai Kunshang.

Pursuant to the Measures in the Sales of Commodity Housing, property developers may not pre-sell their commercial units by ways of post-sale leasing in a direct or a disguised form before obtaining the construction completion certificates and property developers may be subject to a disciplinary warning, ordered to make remedial measures and/or imposed a fine of not less than RMB10,000 but not more than RMB30,000 if they are engaged in the abovementioned activity. As mentioned above, in 2015 and 2016, we entered into 144 sales and leaseback arrangements out of the total 286 commercial units before we obtained the relevant construction completion certificates.

As of the date of this offering memorandum, with respect to the legality of our sales and leaseback arrangement, we had conducted interviews with the competent housing security and administration authority. After having explained our sales and leaseback arrangement to the competent housing security and administration authority, it confirmed that it did not find that we had illegal behavior that might be penalized, and that we had not been penalized for violating the relevant rules and regulations regarding the sales of commodity housing. Furthermore, we had not been subject to any administrative penalty regarding the sales and leaseback arrangements. In addition, we have taken rectification actions and obtained all the relevant construction completion certificates before October 2016. Based on the forgoing, our directors are of the view that the likelihood that we would be penalized by the competent authorities is low and are in compliance with the relevant PRC laws and regulations in all material aspects.

THE PRC LEGAL SYSTEM

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

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

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

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations, and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, national laws and the administrative rules and regulations promulgated by the State Council.

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

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the "Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws" (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 on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

THE PRC JUDICIAL SYSTEM

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

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

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), which was adopted on April 9, 1991 and respectively amended on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. A time limit of two years is imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

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

ESTABLISHMENT OF A PROPERTY DEVELOPMENT ENTERPRISE

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the NPC on July 5, 1994, effective on January 1, 1995 and as amended in August 2007, August 2009 and August 2019, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the "Regulations on Administration of Development of Urban Real Estate" (城市房地產開發經營管理條例) (the "Development Regulations") promulgated and implemented by the State Council in July 1998 and as amended in January 2011, March 2018, March 2019, March 2020 and November 2020, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

In May 2009, the State Council issued a "Notice on Adjusting the Ratio of Capital Fund for Investment Projects in Fixed Assets" (關於調整固定資產投資項目資本金比例的通知) setting the portion of capital fund of property projects at 20% for affordable housing projects and ordinary commodity housing projects and 30% for other property projects.

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

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

Under the "Foreign Investment Industrial Guidance Catalog" (外商投資產業指導目錄) (the "Guidance Catalog") promulgated by MOFCOM and National Development and Reform Commission (中華人民共和國發展和改革委員會) (the "NDRC") on March 10, 2015, effective from April 10, 2015, construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, and construction and operation of large theme parks falls within the restricted category. Other real estate development falls within the category of industries in which foreign investment is permitted. Foreign-invested real estate development enterprises can be established in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly owned foreign enterprise in accordance with the Guidance Catalog and other laws and administrative regulations relating to foreign-invested enterprises. Pursuant to the amended Guidance Catalogue (the "Guidance Catalogue (2017 Revision)") promulgated by MOFCOM and NDRC on June 28, 2017 and became effective on July 28, 2017 and the Special Management Measures (Negative List) for the Access of Foreign Investment (2018 Version) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "Negative List 2018") promulgated by the NDRC and the MOFCOM on June 28, 2018 and came into effect on July 28, 2018, real estate development does not fall within the Negative List 2018 and the restrictive measures for construction of large-scale theme park, golf courses and villas are equally applicable to domestic and foreign investment. On June 30, 2019, MOFCOM and NDRC promulgated the Catalogue of Industries for Encouraging Foreign Investment (Edition 2019) (鼓勵外商投資產業目錄) and the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "Negative List 2019"), both of which became effective on July 30, 2019 and superseded the Guidance Catalogue (2017 Revision) and the Negative List 2018, while the policy for the real estate development remains the same. The Negative List 2019 was replaced by the Special Measures (Negative List) for the Access of Foreign Investment (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "Negative List 2020") promulgated by NDRC and MOFCOM on June 23, 2020 and became effective on July 23, 2020. On December 27, 2021, NDRC and MOFCOM promulgated the Special Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "Negative List 2021"), which became effective from January 1, 2022. The Negative List 2020 and the Negative List 2021 have no further implication in respect of the real estate development policy.

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE promulgated the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於規範房地產市場外資准入和管理的意見) (the "171 Opinion"), which stipulates requirements in terms of admittance and administration of foreign capital in the property market.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC" (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which was amended in October 2015, stipulates the requirements for the approval and supervision of foreign investment in real estate.

On September 27, 2007, the PBOC and the China Banking Regulatory Commission (the "CBRC") jointly issued a "Circular on Strengthening Commercial Real Estate Loan Administration" (關於加強商業性房地產信貸管理的通知) This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities).

On December 5, 2007, the PBOC and the CBRC further jointly issued the Supplementary Notice of the People's Bank of China and China Banking Regulatory Commission on Strengthening the Administration of Commercial Real Estate Loans (關於加強商業性房地產信貸管理的補充通知). The notice provided that the number of loans to a borrower shall be determined on the basis of loans to the borrower's family (including the borrower, his/her spouse and his/her under-aged children), and for a family which has purchased the first house for its own dwelling purpose with a bank loan or which has purchased a house with a loan from the public accumulation fund for housing construction, if its per capital dwelling space is smaller than the local average

level and it applies to a commercial bank for another housing loan, such application shall be handled by referring to the policies governing loans for purchasing the first house, while circumstances other than the aforesaid one shall be handled in accordance with policies and provisions governing loans for purchasing a second house.

On April 6, 2010, the State Council issued the "Opinions on Further Enhancing the Utilization of Foreign Investment" (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalog may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the "Catalog of Investment Projects Approved by the Government" (政府核准的投資項目目錄).

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). This Notice amended the registered capital requirement in the 171 Opinion and stipulates that when a foreign investor establishes a property development enterprise in China in which (i) the total investment amount is more than US$10.0 million and less than US$30.0 million, such enterprise's registered capital must not be less than 40% of its total investment amount; (ii) the total investment amount is more than US$10.0 million and less than US$12.5 million, such enterprise's registered capital must not be less than US$5.0 million; (iii) the total investment amount is US$30.0 million or more, such enterprise's registered capital must not be less than 33.3% of its total investment amount; and (iv) the total investment amount is more than US$30.0 million and less than US$36.0 million, such enterprise's registered capital must not less than US$12.0 million.

On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016 (全國人民代表大會常務委員會關於修改《中國人民共和國外資企業法》等四部法律的決定). Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (外商投資企業設立及變更備案管理暫行辦法) which was amended on July 30, 2017 and June 29, 2018. On December 30, 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the "Measures for the Reporting of Foreign Investment Information" (外商投資信息報告辦法), which came into effect on January 1, 2020 and replaced the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (外商投資企業設立及變更備案管理暫行辦法). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

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) 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 replaced 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 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 are required to follow the corporate governance rules under the PRC Company Law. 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.

QUALIFICATIONS OF A PROPERTY DEVELOPER

According to the Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (外商投資產業指導目錄(2017年修訂)) (the "Catalogue") which was jointly issued by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, certain industries have fallen into the categories where foreign investment is encouraged, restricted or prohibited, and are subject to different administrative requirements and formalities.

On June 28, 2018, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "Negative List 2018"), which became effective on July 28, 2018 and was replaced by the "Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version)" (外商投資准入特別管理措施(負面清單)(2019年版)) effective from July 30, 2019 (the "Negative List 2019," together with the Negative List 2018, the "Negative List"). The Negative List has replaced the special administrative measures as provided in the Catalogue, and has uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment. The Negative List 2019 was replaced by the Special Measures (Negative List) for the Access of Foreign Investment (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "Negative List 2020") promulgated by NDRC and MOFCOM on June 23, 2020 and became effective on July 23, 2020 and amended on December 27, 2021. The Negative List 2021 has no further implication in respect of the real estate development policy.

Under the "Provisions on Administration of Qualifications of Property Developers" (房地產開發企業資質管理規定) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000 and amended in May 2015 and December 2018 and March, 2022, a property developer shall apply for registration of its qualifications in accordance with the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer who fulfills the qualification requirements will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days after accepting the report application. The term of validity of Provisional Qualification Certificate is one year, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is restricted to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be restricted to those agreed by the construction authority of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority of the relevant province, autonomous region or municipality.

DEVELOPMENT OF A PROPERTY PROJECT

Under the "Interim Regulations of the People's Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land" (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) ("Interim Regulations on Grant and Transfer") promulgated by the State Council in May 1990 and amended in November 2020, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay an land premium to the government as consideration for the grant of the right to use a land site within a specified term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use right for a site intended for property development shall be obtained through government grant except for land use right which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

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

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

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

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

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

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

When carrying out a feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval authority, in accordance with the "Measures for Administration of Examination and Approval for Construction Sites" (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources in March 1999 and as amended in November 2010 and November 2016 and the "Measures for Administration of Preliminary Examination of Construction Project Sites" (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001 and as amended in October 2004 and November 2008 and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out a preliminary process for the approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall issue a preliminary approval report in respect of the project site. The land administration authority of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

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

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

On June 1, 2012, the Ministry of Land and Resources revised and promulgated the "Measure for the Disposal of Idle Land" (閒置土地處置辦法), which clarified the scope and definition of idle land, as well as the corresponding punishment measures. Pursuant to the Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as "idle land":

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

- any State-owned land for construction uses 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 Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

On September 12, 2014, the Ministry of Land and Resources issued the "Guidelines on Improving Economical and Intensive Use of Land" (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

Under the "Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land" (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and amended on January 26, 2011, the grantee to an land grant contract (i.e., a property developer) shall apply for a Permit for Construction Site Planning from the municipal planning authority with the land grant contract.

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

On January 21, 2011, the State Council promulgated the "Regulation on Expropriation and Compensation Related to Buildings on State-owned Land" (國有土地上房屋徵收與補償條例) (the "Expropriation and Compensation Regulation"). The Expropriation and Compensation Regulation provides that, among other things:

(i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;

(ii) compensation shall be paid before the resettlement;

(iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal; and

(iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the "Measure for the Administration of Construction Permits for Construction Projects" (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014, which was amended on September 28, 2018 and March 30, 2021.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the "Regulations on the Administration of Quality of Construction Works" (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and as amended on October 7, 2017 and April 23, 2019, and the "Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the "Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. Possession of a property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is completed or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and, where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

LAND FOR PROPERTY DEVELOPMENT

The provisions of the "Regulations on the Development, Operation and Management of Property" provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the "Rules regarding the Grant of State-Owned Land Use Rights for construction by way of Tender, Auction and Listing-for-Sale" (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (關於加強土地供應管理促進房地產市場持續健康發展的通知) designed to strictly control land supply for high-end luxury property development, which was lately amended on December 3, 2010.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full 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 "Circular on Strengthening Real Estate Land Supply and Supervision" (關於加強房地產用地供應和監管有關問題的通知). Under the circular, the minimum land premium shall not be less than 70% of the benchmark market price in the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The circular makes further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is concluded. The down payment of 50% of the land premium shall be paid within one month of the date of land grant contract. The remaining balance shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the "Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development" (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1 : 1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

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

On January 26, 2011, the State Council circulated the "Notice on Further Regulating 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 provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

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

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

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

On February 13, 2017, the Asset Management Association of China issued the "No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions" (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

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

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

SALE OF COMMODITY PROPERTIES

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

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

a permit shall be obtained before a commodity property may be put up for pre-sale. A developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a pre-sale permit of commodity properties. A commodity property may only be sold before completion if the following conditions have been met:

- the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;
- a construction works planning permit and a construction works commencement permit have been obtained;
- the funds invested in the development of the commodity properties put up for pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and
- the pre-sale has been registered and a pre-sale permit has been obtained.

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

According to the "Measures of Property Transactions in Shanghai Municipality" (上海市房地產轉讓辦法) promulgated on April 30, 1997, as amended on September 20, 2000, April 21, 2004, June 24, 2004 and December 20, 2010, a property developer must comply with the following requirements in order to obtain a "Commodity Property Pre-Sale Permit":

- the land premium has been fully paid;
- the real estate ownership have been registered with the relevant authority and real estate ownership certificate have been obtained;
- the developer holds a construction works planning permit;
- the developer holds a permit for the commencement of construction work;
- the completed areas of the properties have reached the required standard; and
- the completion time of the properties and the plan for constructing related infrastructure have been confirmed.

In accordance with the above regulation, a property developer must apply to the Housing, Land and Resources Administration Bureau or country housing and land administration authorities of Shanghai Municipality, together with the abovementioned documentations, the floor plans. The review of the application shall be completed within 10 working days and the result of the application will be notified in writing. If the abovementioned requirements are met, the Commodity Property Pre-Sale Permit will be granted.

Under the "Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Good Handling of Stabilizing House Prices" (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) promulgated by General Office of the State Council in May 2005, the purchaser of a pre-sold commodity property is prohibited from transferring such pre-sold property before the completion of its construction. Property developers are required to register pre-sales and sales of properties electronically with the local authorities on a real name and real time basis.

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

On March 16, 2011, NDRC promulgated the "Regulation on Price of Commodity Property" (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

REAL ESTATE REGISTRATION

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

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region, and such department shall be subject to the guide and supervision by the competent real estate registration authority at the higher level;

- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;

- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and

- any right holder or interested party may apply for inquiring about or copying the real estate registration materials, and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

The "Implementing Rules of the Interim Regulations on Real Estate Registration" (不動產登記暫行條例實施細則), effective from January 1, 2016 and as amended on July 24, 2019, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the "Regulations on Administration of Transfer of Urban Real Estate" (城市房地產轉讓管理規定) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full and a land use right certificate has been obtained; (ii) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been installed, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by government grant, the term of the land use rights after transfer of the property shall be the remaining life of the original term provided by the land grant contract. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to adjust the land premium accordingly.

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

LEASES OF PROPERTIES

On December 1, 2010, the MOHURD issued the "Administrative Measures for Commodity Housing Tenancy" (商品房屋租賃管理辦法) which became effective on February 1, 2011, according to which parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorized to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

MORTGAGES OF REAL ESTATE

Under the "Urban Real Estate Law" (城市房地產管理法) promulgated in July 1994, as amended in August 2007, August 2009 and August 2019, the "Civil Code of the People's Republic of China" (中華人民共和國民法典), which became effective on January 1, 2021, the "Measures for Administration of Mortgages of Urban Real Estate" (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001 and March 2021, when a mortgage is created on a building, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the property is situated. A real estate mortgage contract shall come into effect on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and then issue a certificate of third-party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on property in development, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

REAL ESTATE FINANCING

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) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.

- Commercial banks shall not grant loans to property developers to finance the payment of land premium.

- Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

The State Council issued the "Circular on Facilitating the Continuously Healthy Development of Property Market" (關於促進房地產市場持續健康發展的通知) in August 2003, which contains a series of measures to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity properties and controlling the construction of high-end commodity properties. The PRC government also adopted a series of measures in respect of property development loans, which include placing greater effort on provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring procedures over property loans. It is expected that the circular should have a long-term positive effect on the development of the PRC property market by facilitating the healthy growth of the PRC property market.

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

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued "Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices" (關於調整住房供應結構穩定住房價格的意見). These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans.

On September 27, 2007, the PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

On December 28, 2020, PBOC and CBRC jointly promulgated the "Notice of PBOC and CBRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions" (中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period.

INSURANCE

There are no nationwide mandatory requirements in the PRC laws, regulations and government rules requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the People's Republic of China (中華人民共和國建築法) promulgated by the Standing Committee of the NPC on November 1, 1997 and became effective on March 1, 1998 and respectively amended on April 22, 2011 and April 23, 2019, construction enterprises shall maintain work-related injury insurance for employees engaged in dangerous operations and pay the insurance premium. In the Opinions of the Ministry of Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work (建設部關於加強建築意外傷害保險工作的指導意見) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Income Tax

According to the EIT Law which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018, respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

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

Business Tax and Value Added Tax

Pursuant to the "Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax" (關於全面推開營業稅改徵增值稅試點的通知), on May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the "Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers" (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "self-development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 3%

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the "Interim Regulations of the People's Republic of China on Business Tax" (中華人民共和國營業税暫行條例) was abolished and the "Interim Regulations of the People's Republic of China on Value added Tax" (中華人民共和國增值税暫行條例) was revised by the State Council. According to the revised "Interim Regulations of the People's Republic of China on Value added Tax", selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate has been lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

LAT

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

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the "Provisional Regulations, the Detailed Implementation Rules" LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to the law due to the construction requirements of the government;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval.

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

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

On August 2, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax" (關於加強土地增值税管理工作的通知) in order to further clarify the taxpayers' duties in relation to filing of periodic tax returns, and the Notice was amended on June 15, 2018. On August 5, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax" (關於進一步加強城鎮土地使用税和土地增值税徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the "Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax" (關於土地增值税若干問題的通知), which was amended on February 2, 2015. The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.

- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the "Administrative Law of the People's Republic of China on the Levying and Collection of Taxes (中華人民共和國税收徵收管理法)."

- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

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

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole uncompleted development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancelation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the local provincial tax authorities.

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

To further strengthen LAT enforcement, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (土地增值税清算管理規程), which became effective on June 1, 2009 and was amended on July 7, 2016.

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

On May 25, 2010, the State Administration of Taxation published the "Circular on Strengthening the Collection and Administration of Land Appreciation Tax" (關於加強土地增值税徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT taxation. According to this circular, all local governments shall make adjustments to the current 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 middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate applicable to different types of real estate.

Deed Tax

Pursuant to the "Deed Tax Law of the People's Republic of China" (中華人民共和國契税法), which was promulgated by the Standing Committee of the NPC on August 11, 2020 and came into effect on September 1, 2021, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, should submit to the Standing Committee of the NPC at the same level for decision and file with the Standing Committee of the NPC and the State Council for the record.

Urban Land Use Tax

Pursuant to the "Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land" (中華人民共和國城鎮土地使用税暫行條例) promulgated by the State Council in September 1988 as amended in December 2006, January 2011, December 2013 and March 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the "Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China" (關於外商投資企業和外國企業在華機構的用地不徵收土地使用税的通知) promulgated by the Ministry of Finance on November 2, 1988 and the "Approval on Land Use Tax Exemption of Foreign-Invested Enterprises" (關於外商投資企業免徵土地使用

稅問題的批覆) issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the "Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land" (中華人民共和國城鎮土地使用稅暫行條例) were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Property Tax

Under the "Interim Regulations of the People's Republic of China on Property Tax" (中華人民共和國房產稅暫行條例) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986 and as amended on January 8, 2011, the property tax rate 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.

Stamp Duty

Under the "Stamp Duty Law of People's Republic of China" (中華人民共和國印花稅法) promulgated by the Standing Committee of the NPC on June 10, 2021 and became effective on July 1, 2022, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein.

Urban Maintenance and Construction Tax

Under the "Urban Maintenance and Construction Tax Law of the People's Republic of China" (中華人民共和國城市維護建設稅法), which was promulgated by the Standing Committee of the NPC on August 11, 2020 and came into effect on September 1, 2021, whether an individual or otherwise paying for value-added tax or consumption tax shall be required to pay urban maintenance and construction Tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the "Notice on Unification of the Application of Urban Maintenance and Construction Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals" (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, the urban maintenance and construction 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 Urban Maintenance and Construction and Education Surcharge on Foreign-Invested Enterprises" (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010 and became effective in December 2010, foreign-invested enterprises must pay urban maintenance and construction tax 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 urban maintenance and construction tax on any value-added tax, consumption tax and business tax incurrent before December 1, 2010.

Education Surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural A re as" (國務院關於籌措農村學校辦學經費的通知). Under the "Supplementary Notice Concerning Imposition of Education Surcharge" (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" (國家稅務總局關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) and the "Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" (關於外商投資貨物運輸企業徵免城市維護建

設税和教育附加問題的批覆) issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid "Unification of Application of Urban Maintenance and Construction 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税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 Urban Maintenance and Construction and Education Surcharge on Foreign-invested Enterprises," 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.

MEASURES ON STABILIZING HOUSING PRICES

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

- Where housing prices grow too fast at a time when the supply of medium-or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium-or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium-or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.

- Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.

- Starting from June 1, 2005, business tax on the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.

- Low-to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 sq.m., and the actual transfer price is lower than 1.2 time of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the "Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province" issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 time of the average transfer price of houses located on the land of the same level.

- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

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

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

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

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

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

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

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

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 sq.m. should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;

- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and

- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

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

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;

- the registered capital of a foreign-invested real estate enterprise with a total investment of US$10 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US$10 million, the current rules on registered capital shall apply;

- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid;

- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;

- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are properly handled with in accordance with applicable PRC laws;

- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;

- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and

- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued "Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of 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. This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

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

- Where the application in filed for establishment of the real estate company, the land use rights, the ownership of the real property should be obtained first, or the pre-assignment/purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled.

Oversea investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprises is prohibited.

- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the Ministry of Construction's filing requirement.

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

Pursuant to the notice on "Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans," (擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%. On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Adjustments to Taxation on Real Property Transactions" (關於調整房地產交易環節税收政策的通知) which was amended on September 29, 2010, pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from LAT.

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

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a "Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties" (關於調整個人住房轉讓營業税政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 30, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the date of the individual owner's purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

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

On September 29, 2014, the PBOC and CBRC jointly issued the "Notice on Further Improving Financial Services for Real Estate Sector" (關於進一步做好住房金融服務工作的通知), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued the "Notice on Relevant Issues Concerning the Individual Housing Loan Policy" (關於個人住房貸款政策有關問題的通知), which provides that where households that own a residential property and have not paid off their existing mortgage loan applies for a new mortgage loan to buy another residential property to improve their living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower.

On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the "Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order" (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

FOREIGN EXCHANGE

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

Pursuant to the "Foreign Exchange Control Regulations of the PRC" (中華人民共和國外匯管理條例) issued by the State Council which came into effect on April 1, 1996, as amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

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

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

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

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts 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) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

On May 10, 2013, SAFE issued the "Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Ancillary Documents" (國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知), as amended on October 10, 2018 and December 30, 2019, which includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China, (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China, and (iii) the Business Operating Guidelines for Domestic Direct Investment.

The "Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China" (外國投資者境內直接投資外匯管理規定) (the "Provisions on Foreign Exchange Administration"), effective on May 13, 2013, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises. The Provisions on Foreign Exchange Administration was repealed on December 30, 2019.

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

In March 30, 2015, the SAFE issued "Notice on the Reform of Foreign Investment Enterprises of Foreign Exchange Capital Settlement Management" (關於改革外商投資企業外匯資本金結匯管理方式的通知) which came into effective since June 1, 2015. The notice provides that a voluntary foreign exchange settlement system will be established. On June 9, 2016, SAFE issued the "Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement" (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

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

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

ENVIRONMENT PROTECTION IN THE DEVELOPMENT OF REAL ESTATE

The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (2017 revision) (建設項目環境保護管理條例(2017修訂)). Pursuant to those laws and regulations, the developer shall, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Simultaneous design, simultaneous construction and simultaneous going into operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project. In addition, the developer shall, during the trial production of a construction project, monitor the operations of the environmental protection facilities and the environmental impact of the construction project. On completion of construction, the developer shall make an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council. The developer shall make the acceptance report publicly available in accordance with the law unless it is required to keep confidential according to national provisions. Acceptance checks for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance checks for of the main body project.

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

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us or 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.

The table below sets forth certain material transactions between us and our related parties during the year ended December 31, 2019, 2020 and 2021:

	Year ended December 31,		
	2020	2021	2021
	RMB	RMB	RMB
Advances from related companies:			
Joint ventures	38	24,448	1,268,914
Associates	373,150	326,775	495,873
Companies controlled by the shareholder	3,842	861,310	—
Companies controlled by key management personnel	—	—	—
	377,030	1,212,533	1,764,787
Repayment of advances from related companies:			
Joint ventures	16,200	3,845	1,418,913
Associates	4,944	391,584	300,210
Companies controlled by the shareholder	—	909,027	—
Companies controlled by key management personnel	562,758	—	—
	583,902	1,304,456	1,719,123
Advance to a shareholder	—	—	—
Repayment of an advance to a shareholder	8,747	—	—
Advances to related companies:			
Joint ventures	1,827,225	2,423,490	5,692,762
Associates	461,818	431,812	1,309,681
Companies controlled by the shareholder	3,615,958	53,740	—
	5,905,001	2,909,042	7,002,443
Repayment of advances to related companies:			
Joint ventures	1,265,410	2,220,848	3,322,331
Associates	136,094	974,120	877,378
Companies controlled by the shareholder	3,802,157	314,650	—
	5,203,661	3,509,618	4,199,709
Property management services from companies controlled by the shareholder	15,491	17,772	22,076
Finance costs from a company controlled by the shareholder	2,421	370	—
Office building rental services from a joint venture	—	—	4,852
Consulting services to joint ventures and associates	22,018	38,132	8,551
Miscellaneous purchases from a company controlled by the shareholder	12,045	30,436	—
Construction services from a company controlled by the shareholder	—	3,963	—

Note:

(1) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

PRINCIPAL SHAREHOLDERS

As of December 31, 2021, so far as the directors are aware, the following persons or institutions had an interest of 5% or more in the share or underlying shares of the Company which would fall to be disclosed to the Company under section 336 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"):

Name	Nature of interest	Number of Shares	Approximate percentage of interest in the Company
Ms. Zhu Jing[(1)]	Founder of a discretionary trust	754,525,000[(4)]	36.40%
Mr. Chen Peng[(2)].....	Interest of spouse	754,525,000	36.40%
Northern American Trust Company, LLC[(1)]	Trustee of a trust	754,525,000	36.40%
FULVA Holding Limited[(1)]...	Interest in a controlled corporation	754,525,000	36.40%
YongHeng Holdings Limited	Beneficial interest	754,525,000	36.40%
Mr. Lin Jinfeng[(3)].....	Interest in a controlled corporation	622,425,000	30.03%
Ginkgo Gofar Holdings Limited	Beneficial interest	622,425,000	30.03%

Notes:

(1) Northern American Trust Company, LLC as the trustee of the Fulva Family Trust (through its direct wholly-owned company FULVA Holding) holds the entire issued share capital of YongHeng Holdings. YongHeng Holdings holds 750,075,000 shares. The Fulva Family Trust is a discretionary trust established by Ms. Zhu Jing (as the settlor) and the discretionary beneficiaries of which is Ms. Zhu Jing and her family. Accordingly, each of Ms. Zhu Jing, FULVA Holding Limited and Northern American Trust Company, LLC is deemed to be interested in the number of 750,075,000 Shares held by YongHeng Holdings Limited.

(2) Mr. Chen Peng is the spouse of Ms. Zhu Jing. By virtue of the SFO, Mr. Chen Peng is deemed to be interested in the shares which are interested by Ms. Zhu Jing.

(3) Mr. Lin Jinfeng is entitled to exercise or control the exercise of approximately 79.48% of the voting power at general meetings of Ginkgo Gofar Holdings Limited and is therefore deemed to be interested in the Shares in which Ginkgo Gofar Holdings Limited is interested.

(4) Ms. Zhu Jing ("Ms. Zhu") had purchased in the open market an aggregate of 4,450,000 ordinary shares of the Company (the "Share(s)") at the price of HK$2.45 per Share for the total consideration of HK$10,902,500 (excluding relevant transaction fee) (collectively, the "Acquisition of Shares") through YongHeng Holdings Limited on October 15, 2021. Following the Acquisition of Shares, Ms. Zhu is deemed to be interested in an aggregate of 754,525,000 Shares, representing approximately 36.40% of the total issued share capital of the Company, indirectly through YongHeng Holdings Limited.

Except as disclosed above, as of December 31, 2021, no other shareholder, other than directors or chief executives, of the Company has any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

BOARD OF DIRECTORS

Our Board is responsible and has general power for the management and conduct of our business. Our Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets out certain information in respect of our Directors and members of our senior management:

Name	Age	Position(s)
ZHU Jing (朱靜)	46	Chief executive officer, chairman of our Board and executive Director
SHENG Jianjing (盛劍靜)	43	Assistant president and executive Director
YANG Zhandong (楊佔東)	45	Executive vice president and executive Director
LIN Jinfeng (林勁峰)	51	Non-executive Director
LIN Zhaohong (林朝虹)	50	Non-executive Director
GUO Shaomu (郭少牧)	56	Independent non-executive Director
AU YEUNG Po Fung (歐陽寶豐)	54	Independent non-executive Director
ZHOU Zheren (周喆人)	45	Independent non-executive Director

The biography of each of our Directors is set out below.

Executive Directors

Ms. ZHU Jing (朱靜), aged 46, is our founder, chief executive officer, chairman of our Board and an executive Director. She has over 18 years of experience in the PRC real estate industry. With her extensive experience in the real estate industry, she is principally responsible for the overall management and business operation of our Group, including coordinating board affairs, formulating strategies and operational plans, and making major business decisions. Ms. Zhu Jing has served in various roles of our Group, including chairman and executive director at Sunkwan Properties since February 2010, chairman at Sheshan Country Club since August 2015 and chairman at Zhaokun Industrial since October 2018. Ms. Zhu Jing is one of our shareholders.

Prior to founding our Group, Ms. Zhu Jing served in various roles at Central China Real Estate Limited (建業地產股份有限公司), a PRC-based real estate developer listed on the Main Board of the SEHK (stock code: 832) from February 2003 to December 2009, with her last position being the vice president of the group. Ms. Zhu Jing obtained her bachelor's degree in accounting from Zhengzhou University (鄭州大學) in the PRC in July 1999. She also obtained a master's degree in business administration from China-Europe International Business School (中歐國際工商學院) in the PRC in September 2009. Ms. Zhu Jing was named one of the "Top 30 Real Estate Industry Influential Figures in China" and "2020 Real Estate Industry Influential Figures in China" by Bo'ao Real Estate Forum in 2019 and 2020, respectively.

Ms. SHENG Jianjing (盛劍靜), aged 43, is our assistant president and an executive Director. She has more than 11 years of experience in the PRC real estate industry. Ms. Sheng is primarily responsible for the day-to-day business operations and overall administration of our Group. Ms. Sheng served as a general manager at Sunkwan Industrial from March 2010 to April 2014, when she later served as a general manager at Sunkwan Properties from May 2014 to December 2018. She has also been a general manager at Zhaokun Industrial since January 2019. In addition, Ms. Sheng has also been serving as a director at a number of subsidiaries of our Group, including Shanghai Kunhui since October 2016, Cixi Hengkun Property Co., Ltd. since June 2018, Sheshan Country Club since August 2018, Hangzhou Xingkun and Hangzhou Kunxin since June 2019. Ms. Sheng graduated from Shanghai University in the PRC, with an associate degree in secretarial science studies in July 2020.

Mr. YANG Zhandong (楊佔東), aged 45, is our executive vice president and an executive Director. He has 12 years of experience in the construction and real estate industry. Mr. Yang is primarily responsible for the development and day-to-day management of the business of our Group. He joined our Group in May 2011 and has served in various roles at a number of subsidiaries of our Group, including director at Shanghai Kunhui since May 2015, general manager and an executive director at Suzhou Kunxiang since October 2016, general manager and an executive director at Suzhou Sunkwan since November 2016, director at Changshu Gongzhu since September 2017 and director at Changzhou Qiansheng since May 2019. Mr. Yang was first appointed vice president of our Group in September 2018.

Prior to joining our Group, Mr. Yang served as a designing deputy manager at Shanghai R&F Properties Limited (上海富力地產有限公司), a real estate developer, from 2008 to 2011. Mr. Yang obtained his bachelor's degree in architectural engineering from Suzhou Urban Construction and Environmental Protection Institute (蘇州城市建設環境保護學院) in the PRC in July 2000.

Non-executive Directors

Mr. LIN Jinfeng (林勁峰), aged 51, is our non-executive Director. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. Mr. Lin Jinfeng joined our Group as a director at Zhaokun Industrial in May 2018 and was later designated as a non-executive Director of our Group on March 24, 2020. He founded Shenzhen Juwan Investment Development Limited (深圳市巨萬投資發展有限公司), an investment company, in July 1996 and served as the chairman of the board and general manager until May 2003. In 2003, Mr. Lin Jinfeng founded Yingxin Investment Group Co., Ltd. (盈信投資集團股份有限公司), an investment company whose primary business includes real estate investment. He has been serving as a director at Landsea Group Co., Ltd. (朗詩集團股份有限公司), a company principally engaged in property development since May 2007. From September 2016 to September 2019, Mr. Lin Jinfeng also served as a director at Shanghai Landleaf Architecture Technology Co., Ltd. (上海朗綠建築科技股份有限公司), an architectural technology service provider whose shares were listed on the National Equities Exchange and Quotations (stock code: 870998) but were subsequently delisted in March 2020. Mr. Lin Jinfeng obtained his bachelor's degree in international economies and trade from Shenzhen University in the PRC in July 1994. Mr. Lin Jinfeng also obtained an EMBA degree from China-Europe International Business School (中歐國際工商學院) in the PRC in September 2009. Mr. Lin Jinfeng is one of our shareholders.

Ms. LIN Zhaohong (林朝虹), aged 50, is our non-executive Director. She is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. Ms. Lin joined our Group as a director at Zhaokun Industrial in May 2018 and was later designated as a non-executive Director of our Group on March 24, 2020. Prior to joining our Group, Ms. Lin worked at the Industrial & Commercial Bank of China (Shenzhen Branch) (中國工商銀行深圳分行) from September 1990 to July 2016, with her last position being the general manager of the private banking department. She has also been serving as a director at Ginkgo Gofar, an investment company controlled by Mr. Lin Jinfeng, since October 2017. Ms. Lin obtained a master's degree in business administration from Xi'an Jiaotong University (西安交通大學) in the PRC in July 2009. Ms. Lin is a shareholder of Ginkgo-BVI, one of our shareholders.

Independent Non-executive Directors

Mr. GUO Shaomu (郭少牧), aged 56, was appointed our independent non-executive Director on October 27, 2020. He is primarily responsible for providing independent advice on the operations and management of our Group to our Board. Mr. Guo has over 13 years of experience in investment banking in Hong Kong, during which time he accumulated ample knowledge in the PRC real estate market.

From February 2000 to February 2001, Mr. Guo served as an associate of corporate finance at Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate and an associate director of global investment banking at HSBC Investment Bank Asia Holdings Ltd., an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team at J.P. Morgan Investment Banking Asia, an investment bank principally engaged in financial services, where he was primarily responsible for marketing efforts covering the real estate sector in the PRC.

From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team at Morgan Stanley Investment Banking Asia, an investment bank primarily engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region. Moreover, since June 2014, Mr. Guo has been serving as an independent non-executive director at Yida China Holdings Limited, a property developer listed on the Main Board of the SEHK (stock code: 3639). He is also an independent non-executive director at Fantasia Holdings Group Co., Limited, a property developer listed on the Main Board of the SEHK (stock code: 1777), and Ganglong China Property Group Limited, a property developer listed on the Main Board of the SEHK (stock code: 6968) since February 2015 and June 2020, respectively.

Mr. Guo received his bachelor's degree in electrical engineering from Zhejiang University (浙江大學) in the PRC in July 1989, a master's degree in computer engineering from the University of Southern California and a master's degree in business administration from the School of Management of Yale University in the United States in May 1993 and May 1998, respectively.

Mr. AU YEUNG Po Fung (歐陽寶豐), aged 54, was appointed our independent non-executive Director on October 27, 2020. He is primarily responsible for providing independent advice on the operations and management of our Group to our Board. Mr. Au Yeung has extensive experience in the PRC real estate industry. He held various senior management positions in the following companies in the real estate industry.

Mr. Au Yeung graduated from The Hong Kong Polytechnic College (now known as The Hong Kong Polytechnic University) in November 1990 with a bachelor's degree in business studies. He was admitted as fellow of the Association of Chartered Certified Accountants in November 2000, a fellow of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants (HKICPA)) in May 2003, a chartered financial analyst of the CFA Institute in September 2006, and a fellow of the Institute of Chartered Accountants in England and Wales in July 2015.

Mr. ZHOU Zheren (周喆人), aged 45, was appointed our independent non-executive Director on October 27, 2020. He is primarily responsible for providing independent advice on the operations and management of our Group to our Board. Mr. Zhou has extensive experience in legal matters and serving at listed companies.

Mr. Zhou served as an executive director and chairman at Sky Chinafortune Holdings Group Limited, a property investment company listed on the Main Board of the SEHK (stock code: 141) from June 2016 to June 2017. Since May 2014, Mr. Zhou has been serving as an external supervisor at Shengjing Bank Co., Ltd., a banking services provider listed on the Main Board of the SEHK (stock code: 2066) where, pursuant to its articles of association, he shall fulfill his supervision responsibilities, including but not limited to, attending and voting at the meetings of the supervisory board, supervising the board of directors and senior management, and proposing the removal of directors or senior management who are in violation of the law and statutes. Mr. Zhou has been serving as an arbitrator at Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) (上海國際經濟貿易仲裁委員會(上海國際仲裁中心)) since May 2018. Since February 2019, he also served as an arbitrator at Shenzhen Court of International Arbitration (Shenzhen Arbitration Commission) (深圳國際仲裁院(深圳仲裁委員會)). In addition, Mr. Zhou was appointed a director of Huaxin Trust Co., Ltd. (華信信託股份有限公司), a trust company, in March 2016.

Mr. Zhou received a bachelor's degree in international economic laws from East China University of Politics and Law (華東政法大學, formerly known as East China College of Political Science and Law (華東政法學院)) in the PRC in July 1999. He further obtained his master's degree in laws from the University of Technology in Sydney, Australia in September 2004. He has been qualified as a PRC lawyer upon approval from the Review Committee of Lawyer Committee of Lawyer Qualification under the PRC Ministry of Justice (中華人民共和國司法部律師資格審查委員會) since February 2000. He is also qualified to act as an independent director in PRC-listed companies as recognized by the Shanghai Stock Exchange in November 2010.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information of our senior management:

Name	Age	Position(s)
LIANG Jing (梁晶)	39	Vice president
LU Shiyuan (陸石媛)	41	Vice president and joint company secretary

The biography of each of our senior management members is set out below.

Mr. LIANG Jing (梁晶), aged 39, joined our Group as an assistant president at Sunkwan Properties in September 2017 and was appointed a vice president of our Group on February 22, 2022. Mr. Liang is primarily responsible for product development and commercial asset management of our Group. He has over 13 years of experience in the construction designing and real estate industry.

Prior to joining our Group, Mr. Liang worked as a project manager at PDG International Group Co., Ltd. (泛太平洋設計集團有限公司(加拿大)), an architecture design company, from July 2006 to October 2009. He then served as a designing manager at CapitaLand (China) Investment Co., Ltd. (凱德置地投資有限公司), a subsidiary of CapitaLand Limited, a real estate company listed on the Singapore Stock Exchange (stock code: C31), from 2009 to 2012. He also served as the design director at Shanghai Vanke Enterprise Limited (上海萬科企業有限公司), a real estate developer, from 2012 to 2016 and served as the design director at Shanghai Zhengda Dijing Investment Management Limited (上海正大帝景投資管理有限公司) September 2016 to September 2017. Mr. Liang obtained a bachelor's degree in architecture from Dongnan University (東南大學) in the PRC in July 2006.

Ms. LU Shiyuan (陸石媛), aged 41, joined our Group in February 2015 and was appointed a vice president of our Group on February 22, 2022. She was also appointed as a joint company secretary on March 24, 2020 and with effect from October 27, 2020. Ms. Lu is primarily responsible for the financial and capital management of our Group and company secretarial matters of our Company. She has 18 years of experience in financial management. Ms. Lu joined our Group in March 2015 and she has served in various roles of our Group, including general manager at Shanghai Qianrong Property Co., Ltd. from May 2015 to August 2015, general manager at Sunkwan Properties from August 2015 to December 2018, and general manager at Zhaokun Industrial since January 2019. Prior to joining our Group, Ms. Lu served as the chief financial officer of Shanghai Sansheng Real Estate (Group) Co., Ltd. (上海三盛房地產(集團)有限責任公司), a real estate developer, where she was responsible for its overall financial affairs from July 2002 to December 2014. Ms. Lu obtained a bachelor's degree in accounting from Zhejiang University of Finance & Economics in the PRC in June 2002 and a master's degree in business administration from East China University of Science and Technology (華東理工大學) in the PRC in March 2010.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of December 31, 2021, our indebtedness (including current and non-current interest-bearing bank and other borrowings and senior notes) amounted to RMB8,591.6 million (US$1,348.2 million). Subsequent to December 31, 2021, we also incurred additional indebtedness. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, including but not limited to Bank of China, Industrial and Commercial Bank of China, Bank of Communications, China Construction Bank and China Guangfa Bank. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from 3 months to 15 years, which generally correspond to the construction periods of the particular projects. As of December 31, 2021, the aggregate outstanding amount under these loans totaled approximately RMB4,840.2 million (US$759.2 million), of which RMB1,318.8 million (US$206.8 million) was due within one year and RMB3,521.5 million (US$552.3 million) was due over one year. Our PRC loans are typically secured by pledges of property, plant and equipment, investment properties, properties under development and completed properties held for sale as well as guaranteed by our controlling shareholders.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. 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, 2021, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 12.6% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, equity transfer, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- prepaying the loans under other contracts;
- decreasing the registered capital;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Certain of our PRC loans are guaranteed by our controlling shareholders. Further, as of December 31, 2021, RMB8,591.6 million (US$1,347.5 million) of the PRC loans were secured by property, plant and equipment, investment properties, properties under development and completed properties held for sale by the subsidiary borrowers and/or our other PRC subsidiaries.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries also agreed not to distribute any dividend until the borrower fully repays the principal and interest of the loan. See "Risk Factors — Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees — Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries."

OFFSHORE INDEBTEDNESS

July 2021 Notes

On July 22, 2021, we entered into an indenture (as amended and supplemented from time to time, the "July 2021 Indenture") pursuant to which we issued US$210 million principal amount of the 12.25% senior notes due 2022. As of the date of this offering memorandum, the entire principal amount of the July 2021 Notes remains outstanding.

Guarantee

Our obligations under the July 2021 Notes are guaranteed by certain of our existing subsidiaries (the "July 2021 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a July 2021 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2021 Indenture. Each of the July 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2021 Notes.

Interest

The July 2021 Notes bear interests at 12.25% per annum, payable in arrears on January 22, 2022 and July 21, 2022.

Events of Default

The July 2021 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2021 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2021 Indenture. If an event of default occurs and is continuing, the trustee under the July 2021 Indenture or the holders of at least 25% of the outstanding July 2021 Notes may declare the principal of the July 2021 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The July 2021 Notes and the July 2021 Indenture limit our ability and the ability of its related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- make investments or other specified restricted payments;
- issue and sell capital stock of related restricted subsidiaries;
- guarantee indebtedness of related restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into certain transactions with affiliates; and
- effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding July 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2021 Notes is July 21, 2022.

At any time prior to July 21, 2022, we may at our option redeem the July 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2021 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 21, 2022, we may redeem up to 35% of the aggregate principal amount of the July 2021 Notes at a redemption price of 112.25% of the principal amount of the July 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

January 2022 Notes

On January 3, 2022, January 21, 2022 and January 24, 2022, we issued in aggregate principal amount of US$160.2 million of the 13.5% senior notes due 2023 pursuant to an indenture (as amended and supplemented from time to time, the "January 2022 Indenture"). As of the date of this offering memorandum, the entire principal amount of the January 2022 Notes remains outstanding.

Guarantee

Our obligations under the January 2022 Notes are guaranteed by certain of our existing subsidiaries (the "January 2022 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a January 2022 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2022 Indenture. Each of the January 2022 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the January 2022 Notes.

Interest

The January 2022 Notes bear interests at 13.5% per annum, payable in arrears on July 3, 2022 and January 2, 2023.

Events of Default

The January 2022 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2022 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2022 Indenture. If an event of default occurs and is continuing, the trustee under the January 2022 Indenture or the holders of at least 25% of the outstanding January 2022 Notes may declare the principal of the January 2022 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The January 2022 Notes and the January 2022 Indenture limit our ability and the ability of its related restricted subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- make investments or other specified restricted payments;
- issue and sell capital stock of related restricted subsidiaries;
- guarantee indebtedness of related restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into certain transactions with affiliates; and
- effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding January 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the January 2022 Notes is January 2, 2023.

At any time prior to January 2, 2023, we may at our option redeem the January 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2022 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to January 2, 2023, we may redeem up to 35% of the aggregate principal amount of the January 2022 Notes at a redemption price of 113.5% of the principal amount of the January 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

DESCRIPTION OF THE NEW NOTES

For purposes of this "Description of the New Notes," the term "Company" refers only to Sunkwan Properties Group Limited (上坤地產集團有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries, and the term "Notes" only refer to the New Notes issued by the Company. Each Subsidiary of the Company that guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee is referred to as a "JV Subsidiary Guarantor."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee (the "Trustee").

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F. CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described under "— The Subsidiary Guarantees and the JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees";
- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on July 17, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 12.25% 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 18, 2023 and July 17, 2023 (each an "Interest Payment Date").

Interest on the Notes will be paid to Holders of record at the close of business on January 3, 2023 and July 2, 2023 (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Notes register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Mandatory Redemption," "Optional Redemption," "Redemption for Tax Reasons" and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company). In any case in which the date of the payment of principal of, premium or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying and Transfer Agent, 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$150,000 and integral multiples of US$1 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company, the Paying and Transfer Agent or the Registrar may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be an office of the Paying and Transfer Agent, currently located at c/o 20/F. CCB Tower, 3 Connaught Road Central, Central, Hong Kong, and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register maintained by the Registrar (as defined herein) or by wire transfer. 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 SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") and (ii) Yunlu Holding Limited, Yunqi Holding Limited, Yunyin Holding Limited, Kunshing Limited, Taikun Limited, Wellkun Limited, New Fans City Holdings Limited and New Fans City HK Limited (such Restricted Subsidiaries in this clause (ii) are collectively referred to as the "Initial Non-Guarantor Subsidiaries"). The Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors will be Inspiration Holdings Limited, Wanxie HK Limited, FOISON TREASURE LIMITED (富饒有限公司) and Winning Concord Enterprises Limited.

None of the Initial Non-Guarantor Subsidiaries and none of the existing PRC Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date. In addition, none of the future Restricted Subsidiaries organized under the laws of the PRC, the Exempted Subsidiaries (as long as it remains an Exempted Subsidiary) or the Listed Subsidiaries (as long as such Listed Subsidiary remains a Listed Subsidiary) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y)

in the case of any other entity is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of a JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from providing a JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2021, the Company and its consolidated subsidiaries had total indebtedness (including current and non-current interest-bearing bank and other borrowings and senior notes) of RMB11,225.1 million (US$1,761.5 million), of which approximately RMB8,591.6 million (US$1,348.2 million) was secured.

As of December 31, 2021, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB28,333.2 million (US$4,443.9 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB4,395.8 million (US$689.5 million) and contingent liabilities of approximately RMB12,808.7 million (US$2,009.0 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;

- will be enforceable only up to the JV Entitlement Amount;

- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- will be limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;

- will be limited to the JV Entitlement Amount and will rank at least pari passu with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary (the "New Non-Guarantor Subsidiaries" and, together with the Initial Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries"), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets as of the date such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantee is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries."

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary

Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable:

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or a JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";

- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture; or

- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes an Other Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC (other than existing Non-Guarantor Subsidiaries) will become Other Non-Guarantor Subsidiaries (such that they will no longer Guarantee the Notes), without any requirement to seek the consent or approval of the Holders of the Notes, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Other Non-Guarantor Subsidiaries) do not account for more than 15.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (c) requiring the Company or such Restricted Subsidiary to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee and the Holders under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the covenants described under "— Certain Covenants — Limitation on Asset Sales" and "— Certain Covenants — Limitation on Restricted Payments."

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted by the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock."

MANDATORY REDEMPTION

On October 18, 2022, the Company shall redeem the Notes in the principal amount equal to the amount of the accrued and unpaid interest, from (and including) January 22, 2022 to (but excluding) the Original Issue Date, on the aggregate principal amount of the Existing Notes validly tendered and accepted for exchange pursuant to the Exchange Offer set forth in the exchange offer memorandum of the Company dated July 8, 2022 (as amended, supplemented or modified as of the Original Issue Date), and the accrued and unpaid interest on such Notes from (and including) the Original Issue Date to (but excluding) October 18, 2022.

A Note of US$150,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. 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.

Neither the Trustee nor the Paying Agent is responsible for calculating or verifying any amount payable under "Mandatory Redemption."

OPTIONAL REDEMPTION

At any time and from time to time prior to the Stated Maturity of the Notes, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Selection and Notice

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the requirements of the clearing systems, as applicable; or

(2) if the Notes are not listed on any national securities exchange and/or held through the clearing systems, 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.

A Note of US$150,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. 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

Not later than 30 days following a Change of Control, 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 under the Notes may also constitute an event of default under certain other 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; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. 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 itself does not, due to the financial effect of such purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control."

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 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, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and shall not be liable to any person for any failure to do so. The Trustee and the Agents shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee and the Agents shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders or any other person for any loss arising from any failure by it to do so.

NO SINKING FUND

There will be no sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "Relevant Jurisdiction"), or any jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note 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 or the jurisdiction through which payments are made, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);

(d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying and Transfer Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying and Transfer Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying and Transfer Agent or the Trustee in accordance with the Indenture.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, a JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to conclusively rely on and accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders, and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness of the Company or any Restricted Subsidiary ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r), (s), (u), (v), (w) or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase

through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in a Permitted Business; *provided* that, in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such asset, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate amount outstanding of all Indebtedness permitted and then outstanding under clauses (p), (q), (r), (u), (v), (w) and (x) below (together with any refinancings thereof) does not exceed an amount equal to 25.0% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US$30.0 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that, on the date of Incurrence of all such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness and Preferred Stock permitted under this clause (p) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above and clauses (q), (r), (u), (v), (w) and (x) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25.0% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h) and (p) above and clauses (r), (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25.0% of Total Assets;

(r) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, the sum of (1) aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25.0% of Total Assets;

(s) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$20.0 million (or the Dollar Equivalent thereof);

(t) Indebtedness Incurred by the Company or a Restricted Subsidiary constituting a Subordinated Shareholder Loan;

(u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25.0% of Total Assets;

(v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (B) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) and (u) above and clauses (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25.0% of Total Assets;

(w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (w) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (u) and (v) above and clause (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25.0% of Total Assets; and

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (x) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (u), (v) and (w) above (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25.0% of Total Assets.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in paragraph (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock as one or more of such types.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "— Limitation on Indebtedness and Preferred Stock";

(c) such Restricted Payment, together with the aggregate amount of (1) all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) all payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date (in each case, excluding those payments permitted by clauses (2), (3), (4), (5), (6) and (7)) of the immediately following paragraph), shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurs and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such

Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock for any fiscal year shall not exceed US$2.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

(7) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

(8) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under clause (2)(p) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(9) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that any such cash payment shall not be for the purpose of evading the limitation of this "Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(10) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (A) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (B) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

(11) the payment of any dividend or distribution payable or paid solely in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;

(12) the declaration and payment of dividends on, or the repurchase or redemption of, the Capital Stock of the Company by the Company announced in 2021 with respect to the fiscal year ended December 31, 2020 based on the consolidated financial statements of the Company of such fiscal year, to the extent such declaration, payment, repurchase or redemption does not exceed 20% of profit for the year of the Company for the fiscal year ended December 31, 2020 or, with respect to any fiscal year ending after 2021, in an aggregate amount not to exceed 20% of profit for the year of the Company based on the consolidated financial statements of the Company in the immediately prior fiscal year;

(13) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Interest Staged Acquisition Agreement, provided that on the date that such Minority Staged Acquisition Agreement was entered into, such payments would have complied with clauses (a) and (c) of the preceding paragraph; or

(14) the distribution or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture,

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payment set forth in clauses (5) through (14) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (14) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Indenture or under any Pari Passu Guarantee or any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor Guaranteed by any Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to such Indebtedness any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of the Company or a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made by the covenant described under "— Limitation on Restricted Payments" if made on the date of such issuance or sale and *provided* that the Company complies with the "— Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee are permitted by clauses (2)(c), (d) or (q) (in the case of (2)(q), with respect to the Guarantee provided by any Restricted Subsidiary that is not Subsidiary Guarantor or a JV Subsidiary Guarantor through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly, or indirectly, any Bank Deposit Secured Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) under "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described under "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock, share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; and

(6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary) and (iv) any Affiliate Transaction that is conducted in accordance with the Listing Rules of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

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 Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor 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 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.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described under "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce permanently commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, *however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under "Use of Proceeds" in this offering memorandum (or in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary, if such credit support, at the time of or after giving effect to such designation, would not be permitted to be made under the covenant described under "— Limitation on Indebtedness and Preferred Stock" and the covenant described under "— Limitation on Restricted Payments"; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under "— Limitation on Liens"; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "— Limitation on Indebtedness and Preferred Stock"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "— Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor in accordance with the terms under the Indenture.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary 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 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second fiscal quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement prepared in accordance with GAAP, and prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default or an Event of Default, an Officers' Certificate setting forth the details of the Default or the Event of Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes (including the amounts payable under "— Mandatory Redemption") when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under "— Repurchase of Notes upon a Change of Control" or "— Certain Covenants — Limitation on Asset Sales";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% then outstanding or more in aggregate principal amount of the Notes or by the Trustee at the direction of such Holders;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$25.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due, *provided*, however, that such Indebtedness shall not include (x) the Excluded Indebtedness and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$25.0 million (or the Dollar Equivalent thereof), in excess of amounts which the Company's insurance carriers have unconditionally agreed to pay under applicable policies, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect, *provided*, however, that such final judgments or orders for the payment of money shall not include any which is in relation to (x) the Excluded Indebtedness and/or (y) any Indebtedness with respect to which any default or event of default occurs as a result of any default or event of default under the Excluded Indebtedness;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect, except in each case under this paragraph (7), any proceeding commenced based on any Excluded Indebtedness;

(8) the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) (other than, in each case under sub-clause (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 Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company) or (c) effects any general assignment for the benefit of creditors, except in each case under sub-clause (a) or (b), any proceeding commenced, order sought or application or appointment made to defend against, postpone or adjourn any remedy exercised under any Excluded Indebtedness; or

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders (subject to being indemnified and/or secured and/or prefunded to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may, on behalf of the Holders of the 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.

If an Event of Default occurs and is continuing, the Trustee may, and shall, upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to receiving indemnity and/or security and/or prefunding to its satisfaction), pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear or equivocal, or conflicts with law or regulations or the Indenture, or that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or prefunding is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written direction to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with written such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or prefunding satisfactory to it; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Certain Covenants — Provision of Financial Statements and Reports."

The Trustee and the Agents need not do anything to ascertain whether any Default or Event of Default has occurred or is continuing and will not be responsible to the Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no Default or Event of Default has occurred and that the Company is performing all its obligations under the Indenture, the Subsidiary Guarantees, JV Subsidiary Guarantees (if any) and the Notes unless the Trustee and the Agents have received written notice of the occurrence of such event or facts establishing that the Company and/or the Subsidiary Guarantors and the JV Subsidiary Guarantors are not performing all of its obligations under the Indenture, the Subsidiary Guarantees, JV Subsidiary Guarantees (if any) and the Notes. The Trustee and the Agents are entitled to conclusively rely on any Opinion of Counsel or Officers' Certificate regarding whether a Default or Event of Default has occurred.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, 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, the British Virgin Islands or Hong Kong 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, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under paragraph (1) of the covenant under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; and

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee (a) either (x) an Opinion of Counsel of recognized international standing with respect to U.S. federal tax laws which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (y) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel, and (b) an Opinion of Counsel of recognized

international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," clause (3) under "Events of Default" with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will remain liable for such payments.

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; *provided* that such actions pursuant to this clause (1) do not adversely affect the interests of the Holders;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) provide collateral, add additional collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;

(7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository or clearing system;

(9) make any other change that does not materially and adversely affect the rights of any Holder; or

(10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

Amendments of the Indenture and the Notes may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) 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, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture or the Notes; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of the Holders of not less than 75% in aggregate principal amount of the Notes then outstanding:

(1) change the Stated Maturity of the principal of, or premium, if any, 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) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(11) change the redemption date or the redemption price of the Notes from that stated under "— Mandatory Redemption," "— Optional Redemption" or "— Redemption for Taxation Reasons";

(12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) is to be appointed as Trustee under the Indenture, as note registrar (the "Registrar") and as paying and transfer agent (the "Paying and Transfer Agent" and, together with the Registrar, the "Agents") with regard to the Notes. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture and the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless the requisite number of such Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity and/or prefunding satisfactory to it against loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company, any of the Subsidiary Guarantors, or JV Subsidiary Guarantors (if any), 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 and the Agents are permitted to engage in other transactions, including normal banking and trustee and agency relationships, with the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) and their respective Affiliates; *provided*, *however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Furthermore, each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Company and the Subsidiary Guarantors, and the Trustee shall not at any time have any responsibility.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by one or more global notes in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

GLOBAL NOTE

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), 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 Paying and Transfer Agent in U.S. dollars. The Paying and Transfer Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts."

Under the terms of the Indenture, the Company, the Agents and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$150,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "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.

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

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things,

services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or a Holder, 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 or on behalf of the Trustee or the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company at the principal office of the Company or such other address as the Company may advise the Trustee in writing from time to time; or (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors and each of the JV Subsidiary Guarantors (if any) will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint National Corporate Research, Ltd. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent in law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Asset Acquisition" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the "Consolidation, Merger and Sale of Assets" covenant; and

(7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determinations, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the opinion of the lessor, be extended.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies or remit money onshore or offshore.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, *provided* that Capitalized Lease shall not include any lease which would have been classified as an "operating lease" before the adoption of GAAP 16.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the 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 40.0% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of 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 election by the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company. "Clearstream" means Clearstream Banking S.A.

"Commodity Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* that Consolidated Interest Expense shall not include (x) interest expense attributable to leases which would have been classified as "operating leases" before the adoption of GAAP 16 and (y) interest expense accruing on pre-sale receipts in advance from customers; and *provided further* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as (i) a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained

in clause (3) below) or (ii) as a distribution in the form of intercompany loans or that is otherwise treated as a dividend in advance prior to any recognition of income on the consolidated financial statements of such Person; *provided* that, in the case of such distribution in the form of intercompany loans, advances or otherwise, (A) such amount shall not be included again in the Consolidated Net Income in the same period or another period when it is later recognized as income and (B) to the extent that the amounts actually received in dividends in a future period are less than such intercompany loans, advances or otherwise, a deduction in the amount equal to such difference shall be made in such future period (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Excluded Indebtedness" means any Indebtedness in respect of the July 2021 Notes.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"Fitch" means Fitch Ratings Ltd. and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"Franchise Company" means any Minority Joint Venture engaged in property development, of which the Company or a Restricted Subsidiary, through contractual agreements or constituent documents, directly or indirectly, controls and manages operations, including controlling the property planning, development, sales and management of such Minority Joint Venture; *provided*, *however*, that the occurrence of any event as a result of which such corporation, association or other business entity ceases to be a Franchise Company, the Company shall be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event, which shall be made in compliance with the covenant under the caption "— Limitation on Restricted Payments" other than pursuant to clause (19) of the definition of "Permitted Investment."

"GAAP" means International Financial Reporting Standards, as in effect from time to time.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any (1) capital commitments, pre-sale receipts in advance from customers, deferred payment obligations or similar obligations, Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or (2) Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that:

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant or (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"Investment" means, with respect to any Person:

(1) any direct or indirect advance, loan or other extension of credit by such Person to another Person;

(2) any capital contribution by such Person to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities by such Person issued by another Person; or

(4) any Guarantee of any obligation by such Person of another Person to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportional interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Property" means any property that is owned and held by any Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"July 2021 Notes" or "Existing Notes" means the 12.25% green senior notes due 2022 issued by the Company pursuant to the indenture dated July 22, 2021 among the Company, the subsidiary guarantors named in Schedule I thereto and Citicorp International Limited, as trustee (as supplemented or amended from time to time).

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries. "JV Subsidiary Guarantee" has the meaning set forth under "— The Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiaries" means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided* that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

"Measurement Date" means January 22, 2021.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

"Minority Joint Venture" means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase the Notes by the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the tender agent (the "Tender Agent") at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$150,000 or integral multiples of US$1.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Tender Agent sufficient money to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the 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 Tender Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$150,000 or integral multiples of US$1. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; *provided*, *however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, at the time such certificate is required to be delivered.

"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 are originally issued under the Indenture.

"Pari Passu Guarantee" means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Permitted Business" means any business which is the same or related, ancillary or complementary to any of the business of the Company and its Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Ms. Zhu Jing and Mr. Lin Jinfeng;

(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);

(3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "— Certain Covenants — Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Certain Covenants — Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;

(16) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;

(17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(18) repurchases of the Notes;

(19) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided* that:

(i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Original Issue Date, shall not exceed in aggregate an amount equal to 20.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Original Issue Date under this clause is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause, or

(D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition);

(ii) the Person into which such Investment is made is primarily engaged in the Permitted Business;

(iii) if any of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, a Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Restricted Subsidiary, a Minority Joint Venture or Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates"; and

(iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made;

(20) Guarantees permitted by the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; and

(21) any Investment in a Franchise Company (including, among others, any deemed Investment in a Person that was a Restricted Subsidiary but becomes a Franchise Company after the issuance or sale of Capital Stock of such Person); *provided* that:

(i) if any of the other shareholders or partners in such Franchise Company in which such Investment was made pursuant to this clause (21) is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, a Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the "— Limitation on Transactions with Shareholders and Affiliates" covenant;

(ii) no Default has occurred and is continuing or would occur as a result of such Investment;

(iii) at the time of such Investment, the Company could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock," except that solely for purpose of this clause (iii) references to "2.5 to 1.0" thereunder shall be replaced with "1.0 to 1.0"; and

(iv) such Investment, together with the aggregate of all other Investments made under this clause (21) since the Original Issue Date, shall not exceed in aggregate an amount equal to 15.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (21) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Original Issue Date under this clause is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause, or

(D) such Franchise Company becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition).

For the avoidance of doubt, the value of each Investment made pursuant to this clause (21) shall be valued at the time such Investment is made.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(16) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(19) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens incurred or deposits made to secure Entrusted Loans;

(21) Liens securing Indebtedness permitted to be Incurred under clause (2)(n) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock;

(22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) or (2)(x) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any other Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(24) Liens on cash deposits, bank accounts or other assets to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause (2)(q) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(25) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(r) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(26) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(s) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(27) Liens securing Indebtedness Incurred under clause (2)(u), (2)(v) or (2)(w) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; and

(28) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock."

"Permitted Subsidiary Indebtedness" means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(d), (2)(f) and (2)(g) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15.0% of Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People's Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People's Republic of China adopted on January 1, 2020, as such laws and rules may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for

credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Replacement Assets" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business (including any Capital Stock in a Person holding such property or assets that is primarily engaged in a Permitted Business).

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary. "S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, and its successors.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Assets or participation in interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means a Restricted Subsidiary that would be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal, and premium, if any, 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, and premium, if any, or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (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, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which (i) more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person, and in each case of (i) and (ii) above, "controlled" and consolidated by such Person in accordance with GAAP; *provided*, *however*, the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such corporation, association or other business entity equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such Person immediately after the occurrence of such event, which shall be made in compliance with the "— Limitation on Restricted Payments" covenant.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People's Republic of China, Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom or any state of the European Economic Area, shall be rated at least "A" by S&P, Moody's or Fitch;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with, any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations; and

(8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a financial institution or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian

with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of New 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 exchange the Existing Notes for, or purchase, own or dispose of, the New 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 exchange of the Existing Notes for New Notes should consult their own tax advisors concerning the tax consequences of such exchange as well as purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the New Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act. In accordance with the Tax Concessions Act, the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in the Tax Concessions Act.

These concessions shall be for a period of 30 years from March 6, 2020.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the New Notes) or interest in respect of the New 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 New 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 New Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the New Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside Hong Kong) of a New Note.

PRC TAXATION

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is 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, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the New Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. There is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the New Notes may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the case of interest may be withheld at source) at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or at the rate of 20% where the holder is an individual pursuant to PRC individual income tax laws. See "Risk Factors — Risks Relating to Doing Business in China — We may be deemed as a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income" and "— Risks Relating to the New Notes — Interest payable by us to our foreign investors and gain on sale of our New Notes may be subject to withholding taxes under PRC tax laws."

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a Note.

OFFERING AND DISTRIBUTION RESTRICTIONS

ISSUE OF NEW NOTES

New Notes Are Not Being Registered

The New Notes have not been registered under the U.S. Securities Act or any state securities laws of the United States. The New Notes are being offered as part of the exchange consideration pursuant to the Exchange Offer only in transactions not requiring registration under the U.S. Securities Act or applicable state securities laws, including sales pursuant to Regulation S. See "Transfer Restrictions." The New Notes will not be offered or sold except to persons outside of the United States in offshore transactions that occur outside of the United States within the meaning of Regulation S. Each purchaser of the New Notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

Issue of New Notes

The New Notes are a new issue of securities with no established trading market. Approval-in-principle has been issued by the SGX-ST for the listing of, and permission to deal in, the New Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing. We cannot assure the liquidity of the trading market for the New Notes. If an active trading market for the New Notes does not develop, the market price and liquidity of the New Notes may be adversely affected. If the New Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Secondary Market Trading before Settlement

Investors shall not engage in any secondary market trading until the settlement of the Exchange Offer and the issuance of the New Notes are effectuated. The settlement of the Exchange Offer and issuance of the New Notes are subject to a number of conditions. As such, there is no guarantee that the New Notes will be issued. See "Risk Factors."

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Dealer Manager that would permit a public offering of the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

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 New 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, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any).

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the New Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Dealer Manager represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any New Notes other than (a) to "professional investors" as defined in 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 the C(WUMP)O; and

(2) 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 New Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New 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 New Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the New Notes. Accordingly, the New Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 of SFA. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

PRC

The Dealer Manager has represented, warranted and undertaken that the New Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, and the New Notes may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC, except as permitted by the applicable laws and regulations of the PRC.

Taiwan

The Dealer Manager has represented and warranted that the offer of the New Notes has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the New Notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. The Dealer Manager has represented and warranted that no person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the New Notes in Taiwan.

Cayman Islands

The Dealer Manager has represented, warranted and agreed that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the New Notes.

British Virgin Islands

The Dealer Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any New Notes to the public in the British Virgin Islands.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to another exemption from the registration requirements of the U.S. Securities Act. Accordingly, the New Notes are being offered as part of the exchange consideration pursuant to the Exchange Offer only to non-U.S. persons (as defined in Regulation S) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. As used herein, the term "United States" has the meaning given to it in Regulation S.

By its purchase of the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is not a U.S. person (as defined in Regulation S) or purchasing for the account or benefit of a U.S. person and it is purchasing the New Notes in an offshore transaction in accordance with Regulation S;

2. represented that it is purchasing the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is outside the United States;

3. acknowledged that the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act and that the New Notes may not be offered or sold within the United States except pursuant to registration under the U.S. Securities Act, or in transactions exempted from, or not subject to, the registration requirements of the U.S. Securities Act.;

4. agreed that it will inform each person to whom it transfers the New Notes of any restrictions on the transfer of such New Notes;

5. acknowledged that neither we nor the Dealer Manager nor any person representing us or the Dealer Manager have made any representation to you with respect to us or the offering of the New Notes, other than the information contained in this offering memorandum. You represented that you are relying only on this offering memorandum in making your investment decision with respect to the New Notes. You agreed that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us;

6. represented that you are purchasing the New 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 New Notes in violation of the U.S. Securities Act;

7. acknowledged that the New Notes will be represented by the Global Note; and

8. acknowledged that each Note will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

You represent that you (and any person on whose behalf you are acting) are Professional Investors. You also acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying and Transfer Agent, the Registrar, the Dealer Manager, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. You agree that if any of the acknowledgements, representations or agreements you are deemed to have made by your purchase of the New Notes is no longer accurate, you will promptly notify the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying and Transfer Agent, the Registrar, the Trustee and the Dealer Manager. If you are acquiring any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law and Conyers Dill & Pearman as to matters of Cayman Islands law and as to matters of British Virgin Islands law. Certain legal matters will be passed upon the Dealer Manager by Clifford Chance as to matters of United States federal and New York law and Grandall Law Firm (Shanghai) as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021, included in this offering memorandum, have been audited by Ernst & Young, Certified Public Accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated July 7, 2022.

LITIGATION

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

NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2021 that is material in the context of the issue of the New Notes.

LISTING OF THE NEW NOTES

Approval-in-principle has been issued by the SGX-ST for the listing and quotation of the New Notes on the SGX-ST.

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

DOCUMENTS AVAILABLE

For so long as any of the New 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 corporate trust office of the Trustee following prior written request and proof of holding and identity satisfactory to the Trustee.

For so long as any of the New Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "Index to Financial Statements" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

CLEARING SYSTEMS AND SETTLEMENT

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the New Notes is set forth below:

	ISIN	Common Code
The New Notes	XS2502819274	250281927

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

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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Independent Auditor's Report

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To the shareholders of Sunkwan Properties Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunkwan Properties Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 199, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which states that as at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB5,780,855,000 while its cash and cash equivalents amounted to RMB2,946,780,000. This condition along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group owns investment properties in Mainland China which were measured at fair value with an aggregate carrying amount of RMB2,483,200,000 on 31 December 2021, which represented 6.2% of the Group's total assets. The Group has engaged an external valuer to perform the valuation of these properties as at 31 December 2021. Significant judgement is required to determine the fair value of the investment properties, which reflects the market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. The fair values of completed commercial properties and properties held under leases were determined by using the income approach, which has taken into account the rental income of the properties derived from the existing and/or achievable leases in the existing market with due allowance for the reversionary income potential of the leases, and then applied the appropriate capitalisation rate. The fair values of commercial properties under construction and residential properties under construction were determined by using the comparison method, which has taken into account the comparable market value. Changes in these assumptions would have significant effects on the valuation of investment properties. Accordingly, the valuation of investment properties was identified as a key audit matter. The accounting policies and disclosures of the investment properties are included in notes 2.4, 3 and 14 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls of management in the valuation of investment properties. We evaluated the competency, independence and objectivity of the external valuer. We understood the valuation approach and key assumptions used by the external valuer. We assessed the correctness of the property related data used as inputs for the valuations and involved our internal valuation experts to assist us in evaluating the valuation methodology and the underlying assumptions. We evaluated the source data used in the valuation by benchmarking them to relevant market information on a sampling basis. We assessed the disclosures related to the valuation of investment properties in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

Net realisable value of properties under development and completed properties held for sale

As at 31 December 2021, the Group owned properties under development ("PUD") and completed properties held for sale ("PHS") located in Mainland China with a carrying amount of RMB20,523,790,000 in aggregate, which represented 50.8% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, and the write-down of the carrying amounts of PUD and PHS to their net realisable values amounted to RMB151,955,000 as at 31 December 2021.

The determination of the net realisable value of PUD and PHS involves significant management judgement and estimation, including expected future selling prices, the relevant taxes, and the costs necessary to complete the sale of these properties. The calculation of the net realisable value for PUD and PHS at the financial reporting date is performed by the Group managements. The Group managements engaged an external valuer to perform independent valuations for certain properties.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments, policies of limiting prices, and home purchase restrictions, could lead to volatility in property prices in these cities.

We identified the assessment of the net realisable value of the properties as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating the future selling prices and future construction costs which increases the risk of error or potential management bias.

The accounting policies and disclosures of the provision for PUD and PHS are included in notes 2.4, 3, 20 and 21 to the consolidated financial statements.

We evaluated the design, implementation and operating effectiveness of key controls over the Group's estimating of the realisable values of PUD and PHS and the provision for impairment loss.

We assessed the competency, independence and objectivity of the external valuer. We understood the valuation methodology and key assumptions used by the external valuer.

With the assistance of our internal property valuation specialists, we discussed with management and the external property valuers their valuation methodologies and assessed the key estimates and assumptions adopted in the valuations, including expected future selling prices and costs to completion, by comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location and by utilising the industry knowledge and experience of our internal property valuation specialists.

We conducted site visits to properties under development for sale, on a sampling basis, to observe the development progress and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group.

In addition, we evaluated the disclosures of the provision for impairment losses on properties held or under development for sale.

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax The Group is a property developer in Mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in Mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of the year, the management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls of management in the calculation of the provision for land appreciation tax. We involved our internal tax specialists to assist us in performing a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group. We assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements for the reporting period as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the board of directors of the Company 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 SIU FUNG TERENCE HO.

Certified Public Accountants
Hong Kong
31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**8,340,071**	8,190,576
Cost of sales		**(7,167,914)**	(6,396,196)
GROSS PROFIT		**1,172,157**	1,794,380
Finance income		**83,849**	17,313
Other income and gains	5	**96,891**	8,320
Selling and distribution expenses		**(267,339)**	(240,058)
Administrative expenses		**(323,303)**	(277,508)
Impairment losses on financial assets		**(1,286)**	950
Other expenses		**(13,523)**	(7,181)
Fair value gains on investment properties	14	**48,448**	102,537
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(74,220)**	368
Finance costs	7	**(322,520)**	(301,971)
Share of profits and losses of:			
Joint ventures		**34,465**	160,965
Associates		**(11,710)**	73,933
PROFIT BEFORE TAX	6	**421,909**	1,332,048
Income tax credit/(expense)	10	**161,597**	(446,886)
PROFIT FOR THE YEAR		**583,506**	885,162
Profit attributable to:			
Owners of the parent		**250,057**	356,064
Non-controlling interests		**333,449**	529,098
		583,506	885,162
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	12	**RMB0.12**	RMB0.23

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	137,837	143,721
Right-of-use assets	15(a)	2,438	1,777
Investment properties	14	2,483,200	3,245,600
Intangible assets	16	1,321	2,166
Investments in joint ventures	17	612,502	357,174
Investments in associates	18	1,972,217	1,584,016
Deferred tax assets	19	616,919	521,353
Total non-current assets		5,826,434	5,855,807
CURRENT ASSETS			
Properties under development	20	19,739,521	12,495,168
Completed properties held for sale	21	784,269	1,562,937
Trade receivables	22	23,879	25,913
Due from related companies	42	4,909,111	1,341,958
Contract cost assets	24	174,931	51,497
Prepayments, other receivables and other assets	23	4,031,040	3,474,502
Tax recoverable		292,665	267,134
Financial assets at fair value through profit or loss	25	110,597	113,209
Restricted cash	26	1,471,491	1,768,413
Pledged deposits	26	64,828	199,881
Cash and cash equivalents	26	2,946,780	3,365,194
Total current assets		34,549,112	24,665,806
CURRENT LIABILITIES			
Trade and bills payables	27	2,101,183	1,714,898
Other payables and accruals	28	3,184,260	2,571,598
Contract liabilities	29	13,741,819	8,001,562
Due to related companies	42	695,846	539,125
Interest-bearing bank and other borrowings	30	3,147,335	2,329,620
Provision for financial guarantee contracts	31	35,303	–
Senior notes	32	2,633,520	–
Tax payables	10	1,297,608	2,417,983
Lease liabilities	15(b)	30,014	32,277
Total current liabilities		26,866,888	17,607,063
NET CURRENT ASSETS		7,682,224	7,058,743
TOTAL ASSETS LESS CURRENT LIABILITIES		13,508,658	12,914,550

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	5,444,218	6,415,748
Deferred tax liabilities	19	187,165	161,715
Lease liabilities	15(b)	25,169	54,518
Total non-current liabilities		5,656,552	6,631,981
Net assets		7,852,106	6,282,569
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	14	14
Reserves	35	2,501,209	2,279,483
		2,501,223	2,279,497
Non-controlling interests		5,350,883	4,003,072
Total equity		7,852,106	6,282,569

Ms. Zhu Jing
Director

Ms. Sheng Jianjing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000 Note 33	Share premium RMB'000 Note 35(a)	Merger reserve RMB'000 Note 35(b)	Capital reserve RMB'000 Note 35(c)	Statutory surplus reserve RMB'000 Note 35(d)	Employee share-based compensation reserve RMB'000 Note 34	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2020	14	1,063,334	396,498	(24,544)	182,025	–	662,170	2,279,497	4,003,072	6,282,569
Profit and total comprehensive income for the year	–	–	–	–	–	–	250,057	250,057	333,449	583,506
Dividends and distributions (note 11)	–	(39,331)	–	–	–	–	–	(39,331)	–	(39,331)
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	1,291,444	1,291,444
Share-based compensation expenses	–	–	–	–	–	11,000	–	11,000	–	11,000
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	1,151	1,151
Disposal of subsidiaries (note 38)	–	–	–	–	–	–	–	–	(260,199)	(260,199)
Disposal of partial interest in a subsidiary without losing control	–	–	–	–	–	–	–	–	1,750	1,750
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(19,784)	(19,784)
Appropriations to statutory surplus reserve	–	–	–	–	31,537	–	(31,537)	–	–	–
As at 31 December 2021	14	1,024,003*	396,498*	(24,544)*	213,562*	11,000*	880,690*	2,501,223	5,350,883	7,852,106

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital RMB'000 Note 33	Share premium RMB'000 Note 35(a)	Merger reserve RMB'000 Note 35(b)	Capital reserve RMB'000 Note 35(c)	Statutory surplus reserve RMB'000 Note 35(d)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2019 and 1 January 2020	11	–	396,498	(24,610)	138,297	349,834	860,030	1,902,642	2,762,672
Profit and total comprehensive income for the year	–	–	–	–	–	356,064	356,064	529,098	885,162
Issuance of new shares	3	1,063,334	–	–	–	–	1,063,337	–	1,063,337
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	2,665,810	2,665,810
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	22,912	22,912
Disposal of partial interests in subsidiaries without losing control	–	–	–	66	–	–	66	6,617	6,683
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	(1,124,007)	(1,124,007)
Appropriations to statutory surplus reserve	–	–	–	–	43,728	(43,728)	–	–	–
As at 31 December 2020	14	1,063,334*	396,498*	(24,544)*	182,025*	662,170*	2,279,497	4,003,072	6,282,569

* These reserve accounts comprise the consolidated reserves of RMB2,501,209,000 (2020: RMB2,279,483,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		421,909	1,332,048
Adjustments for:			
Finance costs	7	322,520	301,971
Share of profits and losses of joint ventures		(34,465)	(160,965)
Share of profits and losses of associates		11,710	(73,933)
Interest income		(83,849)	(17,313)
Gain on disposal of subsidiaries	5	(27,157)	–
Fair value gains on investment properties	14	(48,448)	(102,537)
Fair value losses/(gains) on financial assets at fair value through profit or loss		74,220	(368)
Depreciation of items of property, plant and equipment	6, 13	7,611	7,450
Depreciation of right-of-use assets	6, 15(a)	3,437	4,429
Amortisation of intangible assets	6, 16	845	1,004
Impairment losses recognised for properties under development	6, 20	126,998	80,289
Impairment losses recognised/(reversed) for financial assets	6	1,286	(950)
Exchange gains		(35,425)	–
Share-based compensation expenses	6	11,000	–
Remeasurement gain on an investment in a joint venture held before business combination	5	(23,907)	–
		728,285	1,371,125
Increase in properties under development and completed properties held for sale		(5,538,123)	(1,244,066)
(Increase)/decrease in contract cost assets		(129,059)	941
Increase in prepayments, other receivables and other assets		(639,789)	(62,798)
Decrease in restricted cash		299,663	664,269
Decrease/(increase) in pledged deposits		32,806	(50,549)
Decrease in trade receivables		2,007	20,974
Increase in trade and bills payables		455,481	6
Increase in other payables and accruals		1,646,664	1,421,906
Increase/(decrease) in contract liabilities		3,180,946	(1,227,002)
Decrease in amounts due from related companies		–	30,458
Decrease in amounts due to related companies		(3,816)	(594)
Cash generated from operations		35,065	924,670
Interest received		83,849	17,313
Interest element of rental payments		(2,649)	(3,537)
Tax paid		(1,020,617)	(1,183,094)
Net cash flows used in operating activities		(904,352)	(244,648)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,448)	(969)
Purchase of intangible assets		–	(1,204)
Additions in investment properties		(82,909)	(169,373)
Acquisition of subsidiaries	37	226,756	5,287
Acquisition of financial assets at fair value through profit or loss		(697,759)	(74,900)
Disposal of financial assets at fair value through profit or loss		626,151	17,587
Disposal of an associate		100,000	–
Disposal of subsidiaries	38	384,634	–
Investments in joint ventures		(188,859)	(86,860)
Investments in associates		(1,238,720)	(1,358,667)
Advances to related companies	42	(7,002,443)	(2,909,042)
Repayment of advances to related companies	42	4,199,709	3,509,618
Net cash flows used in investing activities		(3,674,888)	(1,068,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by the non-controlling shareholders of subsidiaries		1,291,444	2,660,910
Proceeds from issue of new shares		–	1,107,404
Share issue expenses		–	(44,067)
Principal portion of lease payments		(35,710)	(31,785)
Advances from related companies	42	1,764,787	1,212,533
Repayment of advances from related companies	42	(1,719,123)	(1,304,456)
Loan from non-controlling shareholders of a subsidiary		418,000	–
Dividends and distributions		(39,331)	–
Dividends paid to the non-controlling shareholder of a subsidiary		(19,784)	(1,124,007)
Disposal of partial interests in subsidiaries without losing control		1,750	11,583
Decrease/(increase) in pledged deposits		102,247	(99,187)
Interest paid		(1,170,467)	(785,364)
Proceeds from the issuance of senior notes		2,495,772	–
Proceeds from interest-bearing bank and other borrowings		10,862,996	8,466,735
Repayment of interest-bearing bank and other borrowings		(9,791,755)	(6,465,433)
Net cash flows generated from financing activities		4,160,826	3,604,866

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(418,414)**	2,291,695
Cash and cash equivalents at beginning of year		**3,365,194**	1,073,499
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,946,780**	3,365,194
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**4,483,099**	5,333,488
Less: Restricted cash	26	**1,471,491**	1,768,413
Pledged deposits	26	**64,828**	199,881
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS		**2,946,780**	3,365,194

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 21 August 2018. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 November 2020. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the subsidiaries now comprising the Group were involved in property development, property leasing and providing project management services in the People's Republic of China (the "PRC").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is FULVA Holdings Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Directly held:				
Inspiration Holdings Limited ("Inspiration Holdings")**	British Virgin Islands	United States dollar ("US$")50	100%	Investment holding
Foison Treasure Limited ("Foison Treasure")**	British Virgin Islands	US$50	100%	Investment holding
Kun palace Holdings Limited ("Kun Palace")**	British Virgin Islands	US$50	100%	Investment holding
Indirectly held:				
Winning Concord Enterprises Limited ("Winning Concord")**	Hong Kong	Hong Kong dollar ("HK$")0.001	100%	Investment holding
Wanxie HK Limited ("Wanxie HK")**	Hong Kong	HK$0.001	100%	Investment holding
上海融振企業管理諮詢有限公司 Shanghai Rongzhen Business Management Consulting Co., Ltd. ("Shanghai Rongzhen")*	PRC/Mainland China	RMB10,000	100%	Investment holding

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
上海兆坤實業有限公司 Shanghai Zhaokun Industrial Co., Ltd. ("Zhaokun Industrial")**	PRC/Mainland China	RMB70,000	100%	Investment holding
上坤置業有限公司 Sunkwan Properties Co., Ltd. ("Sunkwan Properties")**	PRC/Mainland China	RMB2,000,000	100%	Investment holding
上海新鑰投資有限公司 Shanghai Xinyao Investment Co., Ltd. (Note a) ("Shanghai Xinyao")**	PRC/Mainland China	RMB750,000	50%	Investment holding
上海權坤投資有限公司 Shanghai Quankun Investment Co., Ltd. (Note a) ("Shanghai Quankun")**	PRC/Mainland China	RMB10,000	50%	Investment holding
上海佘山鄉村俱樂部有限公司 Shanghai Sheshan Country Club Co., Ltd. (Note a) ("Sheshan Country Club")**	PRC/Mainland China	RMB2,699,635	50%	Property development
上海龍樞物業管理有限公司 Shanghai Longshu Property Management Co., Ltd. ("Shanghai Longshu")**	PRC/Mainland China	RMB30,000	100%	Property leasing
上海龍呂物業管理有限公司 Shanghai Longlv Property Management Co., Ltd. ("Shanghai Longlv")**	PRC/Mainland China	RMB30,000	100%	Property leasing

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
上海龍弼物業管理有限公司 Shanghai Longbi Property Management Co., Ltd. ("Shanghai Longbi")**	PRC/Mainland China	RMB30,000	100%	Property leasing
上海乾嶸置業有限公司 Shanghai Qianrong Property Co., Ltd. (Note b) ("Shanghai Qianrong")**	PRC/Mainland China	RMB8,050	100%	Property development and property leasing
上海上坤淞發置業有限公司 Shanghai Sunkwan Songfa Property Co., Ltd. (Note b) ("Shanghai Sunkwan Songfa")**	PRC/Mainland China	RMB50,050	100%	Property leasing
上海坤熵資產管理有限公司 Shanghai Kunshang Asset Management Co., Ltd. ("Shanghai Kunshang")**	PRC/Mainland China	RMB500	100%	Property leasing
杭州坤鑫置業有限公司 Hangzhou Kunxin Property Co., Ltd. ("Hangzhou Kunxin")**	PRC/Mainland China	RMB10,000	100%	Property development
金華璟坤置業有限公司 Jinhua Jingkun Property Co., Ltd. (Note c) ("Jinhua Jingkun")**	PRC/Mainland China	RMB537,000	51%	Property development
杭州上坤置業有限公司 Hangzhou Sunkwan Property Co., Ltd. ("Hangzhou Sunkwan")**	PRC/Mainland China	RMB8,000	100%	Investment holding

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
杭州祥璟資產管理有限公司 Hangzhou Xiangjing Asset Management Co., Ltd. ("Hangzhou Xiangjing")**	PRC/Mainland China	RMB400,000	100%	Investment holding
上海京大置業有限公司 Shanghai Jingda Property Co., Ltd. ("Shanghai Jingda")**	PRC/Mainland China	RMB1,000,000	100%	Property development
杭州坤麟置業有限公司 Hangzhou Kunlin Property Co., Ltd. ("Hangzhou Kunlin")**	PRC/Mainland China	RMB100,000	100%	Investment holding
宿州坤宿置業有限公司 Suzhou Kunsu Property Co., Ltd. ("Suzhou Kunsu")**	PRC/Mainland China	RMB152,580	51%	Property development
上饒市宜居置業有限公司 Shangrao Yiju Property Co., Ltd. ("Shangrao Yiju")**	PRC/Mainland China	RMB510,200	100%	Property development
常州乾晟房地產開發有限公司 Changzhou Qiansheng Real Estate Development Co., Ltd. (Note a) ("Changzhou Qiansheng")**	PRC/Mainland China	RMB300,000	40%	Property development
東陽坤宇置業有限公司 Dongyang Kunyu Property Co., Ltd. (Note a) ("Dongyang Kunyu")**	PRC/Mainland China	RMB400,000	38.25%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
天門上坤置業有限公司 Tianmen Sunkwan Property Co., Ltd. ("Tianmen Sunkwan")**	PRC/Mainland China	RMB20,000	100%	Property development
佛山凱楓商務諮詢有限公司 Foshan Kaifeng Business Consulting Co., Ltd. ("Foshan Kaifeng Consulting")**	PRC/Mainland China	RMB10,000	100%	Property development
寧波悦遠置業有限公司 Ningbo Yueyuan Property Co., Ltd. (Note a) ("Ningbo Yueyuan")**	PRC/Mainland China	RMB20,000	25%	Property development
上海億薇置業有限公司 Shanghai Yiwei Property Consulting Co., Ltd. ("Shanghai Yiwei")**	PRC/Mainland China	RMB10,000	100%	Investment holding
上海億翊置業有限公司 Shanghai Yiyi Property Consulting Co., Ltd. ("Shanghai Yiyi")**	PRC/Mainland China	RMB10,000	100%	Investment holding
河南宸博置業有限公司 Henan Chenbo Property Co., Ltd. (Note a) ("Henan Chenbo")**	PRC/Mainland China	RMB20,000	60%	Property development
蘇州坤信房地產開發有限公司 Suzhou Kunxin Property Development Co., Ltd. (Note a) ("Suzhou Kunxin")**	PRC/Mainland China	RMB50,000	35%	Property development
杭州景上房地產開發有限公司 Hangzhou Jingshang Property Development Co., Ltd. (Note c) ("Hangzhou Jingshang")**	PRC/Mainland China	RMB50,000	52%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
佛山丹坤置業有限公司 Foshan Dankun Property Co., Ltd. ("Foshan Dankun")**	PRC/Mainland China	RMB10,000	100%	Property development
蘇州上坤置業有限公司 Suzhou Sunkwan Property Co., Ltd. ("Suzhou Sunkwan")**	PRC/Mainland China	RMB10,000	100%	Investment holding
佛山深恒商務信息諮詢有限公司 Foshan Shenheng Business Information Consulting Co., Ltd. ("Foshan Shenheng Consulting")**	PRC/Mainland China	RMB10,000	100%	Investment holding
上海鑫裔置業有限公司 Shanghai Xinyi Property Consulting Co., Ltd. (Note b) ("Shanghai Xinyi")**	PRC/Mainland China	RMB141,400	100%	Investment holding
上饒市麒坤置業有限公司 Shangrao Qikun Property Co., Ltd. ("Shangrao Qikun")**	PRC/Mainland China	RMB10,000	100%	Property development
上海坤璽置業有限公司 Shanghai Kunxi Property Consulting Co., Ltd. (Note b) ("Shanghai Kunxi")**	PRC/Mainland China	RMB100,000	100%	Investment holding
金華坤澤置業有限公司 Jinhua Kunze Property Co., Ltd. (Note c) ("Jinhua Kunze")**	PRC/Mainland China	RMB300,000	31%	Property development
抱龍文旅發展有限公司 Baolong Wenlv development Co., Ltd. (Note a) ("Baolong Wenlv")**	PRC/Mainland China	RMB105,000	50%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
蕪湖垠安置業有限公司 Wuhu Yi'nan Property Co., Ltd. (Note a) ("Wuhu Yinan")**	PRC/Mainland China	RMB364,000	49%	Property development
佛山江坤置業有限公司 Foshan Jiangkun Property Co., Ltd. ("Foshan Jiangkun")**	PRC/Mainland China	RMB10,000	100%	Property development
合肥坤尚置業有限公司 Hefei Kunshang Property Co., Ltd. ("Hefei Kunshang")**	PRC/Mainland China	RMB200,000	51%	Property development
慈溪益坤置業有限公司 Cixi Yikun Property Co., Ltd. ("Cixi Yikun")**	PRC/Mainland China	RMB10,000	54%	Property development
合肥坤旭置業有限公司 Hefei Kunxu Property Co., Ltd. ("Hefei Kunxu")**	PRC/Mainland China	RMB286,000	51%	Property development
信陽龍飛置業有限責任公司 Xinyang Longfei Property Co., Ltd. ("Xinyang Longfei")*	PRC/Mainland China	RMB20,000	70%	Property development
信陽楚韻置業有限責任公司 Xinyang Longfei Property Co., Ltd. ("Xinyang Longfei")*	PRC/Mainland China	RMB20,000	70%	Property development
信陽茶德置業有限責任公司 Xinyang Chade Property Co., Ltd. ("Xinyang Chade")*	PRC/Mainland China	RMB50,000	70%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
界首坤智置業有限公司 Jieshou Kunzhi Property Co., Ltd. (Note c) ("Jieshou Kunzhi")**	PRC/Mainland China	RMB61,230	51%	Property development
紹興儀坤置業有限公司 Shaoxing Yikun Property Co., Ltd. ("Shaoxing Yikun")**	PRC/Mainland China	RMB10,000	51%	Property development
南京坤鑫置業有限公司 Nanjing Kunxin Property Co., Ltd. ("Nanjing Kunxin")**	PRC/Mainland China	RMB50,000	100%	Property development
昆山坤熙置業有限公司 Kunshan Kunxi Property Co., Ltd. ("Kunshan Kunxi")**	PRC/Mainland China	RMB50,000	70%	Property development
南通長宏房地產開發有限公司 Nantong Changhong Property Development Co., Ltd. (Note c) ("Nantong Changhong")**	PRC/Mainland China	RMB20,000	50%	Property development
武漢恒祿置業有限公司 Wuhan Henglu Property Co., Ltd. (Note c) ("Wuhan Henglu")**	PRC/Mainland China	RMB50,000	51%	Property development
桐鄉市安潤置業有限公司 Tongxiang Anrun Property Co., Ltd. (Note a) ("Tongxiang Anrun")**	PRC/Mainland China	RMB10,000	30%	Property development
樂清坤慶置業有限公司 Yueqing Kunqing Property Co., Ltd. (Note c) ("Yueqing Kunqing")**	PRC/Mainland China	RMB10,000	30%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Indirectly held: (Continued)				
蘭溪市坤晴置業有限公司 Lanxi Kunqing Property Co., Ltd. (Note c) ("Lanxi Kunqing")**	PRC/Mainland China	RMB10,000	46%	Property development
杭州坤語置業有限公司 Hangzhou Kunyu Property Co., Ltd. (Note a) ("Hangzhou Kunyu")**	PRC/Mainland China	RMB10,000	40%	Investment holding
樂清坤實置業有限公司 Yueqing Kunshi Property Co., Ltd. (Note a) ("Yueqing Kunshi")**	PRC/Mainland China	RMB10,000	50%	Property development
南京坤斐企業管理諮詢有限公司 Nanjing Kunfei Business Information Consulting Co., Ltd. (Note b) ("Nanjing Kunfei")**	PRC/Mainland China	RMB9,800	100%	Investment holding
諸暨市隽祥置業有限公司 Zhuji Junxiang Property Co., Ltd. (Note c) ("Zhuji Junxiang")**	PRC/Mainland China	RMB10,000	90%	Property development
諸暨市禎祥置業有限公司 Zhuji Zhenxiang Property Co., Ltd. (Note c) ("Zhuji Zhenxiang")**	PRC/Mainland China	RMB10,000	90%	Property development

* The legal form of this subsidiary is a wholly foreign-owned enterprise.
** The legal form of these subsidiaries is limited liability companies.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Note a The Group was granted more than a majority of voting rights in the shareholders' meeting according to the contractual arrangement and the articles of associations with the then equity holders, which gives the Group the current ability to direct the relevant activities of these entities,and therefore, these entities were accounted for as subsidiaries of the Group.

	Percentage of voting rights held by the Group
Shanghai Xinyao	51.00%
Shanghai Quankun	51.00%
Sheshan Country Club	51.00%
Changzhou Qiansheng	51.00%
Dongyang Kunyu	75.00%
Ningbo Yueyuan	75.00%
Suzhou Kunxin	51.00%
Baolong Wenlv	51.00%
Wuhu Yin'an	51.00%
Tongxiang Anrun	51.00%
Hangzhou Kunyu	51.00%
Lanxi Kunqing	51.00%
Yueqing Kunshi	51.00%

Note b The Group legally transferred partial interests of these subsidiaries as collateral to independent trust companies under financing arrangements as at 31 December 2021. Pursuant to the financing arrangements, the Group was obliged to repurchase the equity interests held by trust companies at a fixed amount upon repayment of the borrowings.

	Percentage of equity pledged
Shanghai Qianrong	80.12%
Shanghai Kunxi	95.00%
Shanghai Sunkwan Songfa	99.00%
Nanjing Kunfei	99.00%
Shanghai Xinyi	99.01%

The Group is exposed to variable returns from its involvement and has the ability to affect those returns through its power over the relevant activities of these entities in the ordinary course of business. The trust companies earn fixed return from their investments and their rights in these entities are considered as protected in nature. In this regard, the investments from trust companies are treated as liabilities of the Group and these entities are considered as subsidiaries.

Note c These entities are subsidiaries of a non-wholly owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over it.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings, and senior notes amounted to RMB5,780,855,000 while the balance of cash and cash equivalents is amounted to RMB2,946,780,000. The Group anticipates that the market condition in the real estate sector will remain under pressure in 2022, and therefore, in the absence of a sharp recovery in the market and a resurge of various financing options, the Group remains cautious about its liquidity in the near term. The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

a) Subsequent to 31 December 2021, the Company successfully completed exchange offers and consent solicitation with respect to senior notes amounting to RMB1,021,000,000, which effectively extended the maturity date after January 2023, alleviating its cash flow pressure and improving the liquidity of the Group.

b) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

c) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

d) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operation;.

e) The Group continues to take action to tighten cost controls over various operating expenses.

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

The directors of the Group have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank and other borrowings and senior notes denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 31 December 2021. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The Company has changed its accounting policy for the classification of the interest paid in the current year's consolidated statement of cash flows. In prior periods, interest paid was classified as cash flows from operating activities, whereas interest paid is now classified as cash flows from financing activities (the "Policy Change"). In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of the Group's borrowings, as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows associated with the Group's borrowings, including the interest paid as a cost of financing, and will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of the Group. The comparative amounts have been restated accordingly.

Set out below are the amounts by which each financial statement line item was affected for the years ended 31 December 2021 and 2020 as a result of the Policy Change:

	For the year ended 31 December	
	2021 Increase /(decrease) RMB'000	2020 Increase /(decrease) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	1,170,467	785,364
Increase in cash flows related to operating activities	1,170,467	785,364
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,170,467)	(785,364)
Decrease in cash flows related to financing activities	(1,170,467)	(785,364)
NET INCREASE IN CASH AND CASH EQUIVALENTS	–	–

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss and other comprehensive income, financial position and changes in equity.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at the end of the year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and the annual depreciation rates are as follows:

Buildings	2%-5%
Motor vehicles	19%-48%
Office equipment and electronic devices	19%-48%
Leasehold improvements	20%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the year.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property

Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position 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.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office buildings	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development" or "Completed properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

***Group as a lessee* (Continued)**

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment, motor vehicles and electronic devices that are considered to be of low value.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Sale and leaseback

The Group transfers an asset to its customer (the buyer-lessor) and leases that asset back from the buyer-lessor, and the Group assesses whether the transfer of the asset is a sale applying the requirements for determining when a performance obligation is satisfied in IFRS 15.

When a sale occurs, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the adjustments to measure the sales proceeds at fair value with any below-market terms accounted for as a prepayment of lease payments and any above-market terms accounted for as additional financing provided by the buyer-lessor to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

***Subsequent measurement* (Continued)**

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has evaluated the expected loss rate that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, trade payables and other payables, lease liabilities and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers **(Continued)**

a. Sale of properties

Revenues are recognised when or as the control of the asset is transferred to the customer.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession, or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

b. Project management services

Project management service income derived from the provision of support services in connection with the development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from other sources

Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs assets

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined at the dates of grant based on the market value of the Company's shares.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used to reduce the existing level of contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are adjustments to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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 financial statements is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the Mainland China. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2.1 to the consolidated financial statements.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition from sales of properties

The Group has recognised revenue from sales of properties. 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 the point in time when the buyer obtains control of the completed property. Whether there is an enforceable right to payment depends on the terms of contracts and relevant laws that apply to the contracts. To assess the enforceability of right to payment, the Group has reviewed the terms of the contracts, the relevant local laws and the local regulators' view, and obtained legal advice, and a significant judgement is required.

Operating lease commitments

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

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 an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Consolidation scope

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee, such as the board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line by line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments in the consolidated statement of financial position.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the financial statements.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Certain advance payments received from customers provide a significant financing benefit to the Group. Although the Group is required by the government to place all deposits and periodic payments received from the pre-completion sales in a stakeholder's account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for the expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers is completed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences are realised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each year. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences, and;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was RMB2,483,200,000 (2020: RMB3,245,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment. As all locations have similar economic characteristics with similar nature of property development and leasing and management, a similar nature of the aforementioned business processes, a similar type or class of customers for the aforementioned businesses and similar methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**8,279,845**	8,143,888
Revenue from other sources		
Gross rental income from investment property operating leases	**60,226**	46,688
	8,340,071	8,190,576

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods or services:		
Sale of properties	**8,158,783**	8,038,124
Project management services	**121,062**	105,764
Total revenue from contracts with customers	**8,279,845**	8,143,888
Timing of revenue recognition:		
Properties transferred at a point in time	**8,158,783**	8,038,124
Services transferred over time	**121,062**	105,764
Total revenue from contracts with customers	**8,279,845**	8,143,888

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

***(i) Disaggregated revenue information* (Continued)**

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of respective periods and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sale of properties	**5,688,892**	5,758,920

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the right to payment and collection of the consideration if probable.

Project management services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to the sales of properties as at the end of the year are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**7,657,472**	7,059,528
After one year	**8,177,546**	1,260,309
	15,835,018	8,319,837

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

***(ii) Performance obligations* (Continued)**

Project management services (Continued)

An analysis of other income and gains is as follows:

	2021 RMB'000	2020 RMB'000
Other income and gains		
Exchange gains	39,175	–
Gain on disposal of subsidiaries	27,157	–
Remeasurement gain on investments in joint ventures held before business combination	23,907	–
Government grants	3,402	4,238
Forfeiture of deposits	1,939	3,303
Others	1,311	779
	96,891	8,320

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000
Cost of properties sold (note 21)	6,999,276	6,259,087
Impairment losses recognised for properties under development (note 20)	126,998	80,289
Impairment losses recognised/(reversed) for financial assets (notes 22 and 23)	1,286	(950)
Depreciation of property, plant and equipment (note 13)	7,611	7,450
Depreciation of right-of-use assets (note 15(a))	3,437	4,429
Lease payments not included in the measurement of lease liabilities	5,903	1,787
Auditor's remuneration	5,250	2,800
Amortisation of intangible assets (note 16)	845	1,004
Employee benefit expense (including directors' and chief executive's remuneration in note 8):		
Wages and salaries	180,931	173,481
Pension scheme contributions and social welfare	41,846	23,248
Employee share-based compensation expense (note 34)	11,000	–

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on interest-bearing bank and other borrowings and senior notes	1,324,321	772,356
Interest on lease liabilities	2,649	3,537
Interest expense arising from revenue contracts	394,903	314,072
Total interest expense on financial liabilities not at fair value through profit or loss	1,721,873	1,089,965
Less: Interest capitalised	(1,399,353)	(787,994)
	322,520	301,971

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	1,008	168
Other emoluments:		
Salaries, allowances and benefits in kind	3,695	4,549
Performance-related bonuses	–	2,605
Equity-settled share option expense	4,271	–
Pension scheme contributions and social welfare	366	196
	9,340	7,518

(a) Independent non-executive directors

Mr. Guo Shaomu, Mr. Au Yeung Po Fung, and Mr. Zhou Zheren were appointed as independent non-executive directors of the Company on 27 October 2020.

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Guo Shaomu	336	56
Mr. Au Yeung Po Fung	336	56
Mr. Zhou Zheren	336	56
	1,008	168

There was no other emolument payable to the independent non-executive directors during the year (2020: nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

Ms. Zhu Jing was appointed as an executive director and the chief executive officer of the Company on 21 August 2018. Mr. Yang Zhandong and Ms. Sheng Jianjing were appointed as executive directors of the Company on 24 March 2020. Mr. Lin Jinfeng and Ms. Lin Zhaohong were appointed as non-executive directors of the Company on 24 March 2020.

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare remuneration RMB'000	Total RMB'000
2021:					
Executive directors:					
– Ms. Zhu Jing	2,268	–	–	122	2,390
– Mr. Yang Zhandong	622	–	1,992	122	2,736
– Ms. Sheng Jianjing	805	–	2,279	122	3,206
Non-executive directors:					
– Mr. Lin Jinfeng	–	–	–	–	–
– Ms. Lin Zhaohong	–	–	–	–	–
	3,695	–	4,271	366	8,332

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare remuneration RMB'000	Total RMB'000
2020:					
Executive directors:					
– Ms. Zhu Jing	2,365	1,972	–	52	4,389
– Mr. Yang Zhandong	902	306	–	92	1,300
– Ms. Sheng Jianjing	1,282	327	–	52	1,661
Non-executive directors:					
– Mr. Lin Jinfeng	–	–	–	–	–
– Ms. Lin Zhaohong	–	–	–	–	–
	4,549	2,605	–	196	7,350

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the three (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	5,514	6,365
Performance related bonuses	–	2,025
Equity-settled share-based payment expenses	2,502	–
Pension scheme contributions and social welfare	311	201
	8,327	8,591

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2021 RMB'000	2020 RMB'000
Nil to HK$500,000	–	–
HK$500,001 to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	3
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	2	–
	3	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2021.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2021 RMB'000	2020 RMB'000
Current tax:		
Corporate income tax	**318,463**	200,542
LAT (note)	**(428,596)**	(28,955)
Deferred tax (note 19)	**(51,464)**	275,299
Total tax (credit)/charge for the year	**(161,597)**	446,886

Note: The significant decrease of the LAT amount was mainly due to the final clearance of LAT for seven projects (2020: three), which have been approved by the relevant tax authority. Such final clearances of LAT were approved by relevant local tax authority based on its consideration and judgement of the development and operation of these projects. The approved LAT amounts are lower than the provision estimated. Therefore, such differences were deducted from the LAT in the current period.

10. INCOME TAX (Continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	421,909	1,332,048
Tax at the statutory tax rate	105,477	333,012
Profits and losses attributable to joint ventures and associates	(5,689)	(58,725)
Expenses not deductible for tax	4,059	1,750
Cost not deductible for tax	2,904	47,264
Tax losses utilised from previous years	(2,416)	(2,427)
Deductible temporary differences utilised from previous years	(36,595)	–
Tax losses and deductible temporary differences not recognised	92,110	147,728
Provision for LAT	(428,596)	(28,955)
Tax effect on LAT	107,149	7,239
Tax charge at the Group's effective rate	(161,597)	446,886

The share of tax charge attributable to joint ventures and associates amounted to RMB34,613,000 (2020: RMB98,121,000) for the year ended 31 December 2021. The share of tax credit attributable to joint ventures and associates amounted to RMB27,028,000 (2020: RMB19,822,000) for the year ended 31 December 2021. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

Tax payables in the consolidated statement of financial position represent:

	2021 RMB'000	2020 RMB'000
Tax payables:		
Corporate income tax	561,539	540,555
LAT	736,069	1,877,428
	1,297,608	2,417,983

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final – Nil (2020: RMB2 cents) per ordinary share	–	39,331

The Board did not recommend to propose the final dividend for the year ended 31 December 2021 (2020: RMB39,331,000).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,072,940,000 (2020: 1,565,859,781) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2021 and 2020 was based on 1,500,000,000 shares of the Company as at 1 January 2020. On 17 November 2020, the Company issued 500,000,000 new ordinary shares. On 10 December 2020, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculations of the basic and diluted earnings per share amounts are based on:

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	250,057	356,064

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year	2,072,940,000	1,565,859,781
Earnings per share		
Basic and diluted	RMB0.12	RMB0.23

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021					
At 31 December 2020 and 1 January 2021:					
Cost	143,971	5,351	6,275	13,455	169,052
Accumulated depreciation	(9,720)	(2,915)	(4,634)	(8,062)	(25,331)
Net carrying amount	134,251	2,436	1,641	5,393	143,721
At 1 January 2021, net of accumulated depreciation	134,251	2,436	1,641	5,393	143,721
Additions	–	–	1,447	–	1,447
Acquisition of subsidiaries (note 37)	–	74	520	–	594
Disposal of subsidiaries (note 38)	–	(314)	–	–	(314)
Depreciation provided during the year (note 6)	(2,777)	(906)	(1,176)	(2,752)	(7,611)
At 31 December 2021, net of accumulated depreciation	131,474	1,290	2,432	2,641	137,837
At 31 December 2021:					
Cost	143,971	5,112	8,243	13,455	170,781
Accumulated depreciation	(12,497)	(3,822)	(5,811)	(10,814)	(32,944)
Net carrying amount	131,474	1,290	2,432	2,641	137,837

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB131,474,000 (2020: RMB134,251,000) as at 31 December 2021 have been pledged to secure bank and other borrowings granted to the Group (note 30).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020					
At 31 December 2019 and 1 January 2020:					
Cost	143,971	5,351	5,259	13,455	168,036
Accumulated depreciation	(6,942)	(2,021)	(3,431)	(5,487)	(17,881)
Net carrying amount	137,029	3,330	1,828	7,968	150,155
At 1 January 2020, net of accumulated depreciation	137,029	3,330	1,828	7,968	150,155
Additions	–	–	969	–	969
Acquisition of subsidiaries	–	–	47	–	47
Depreciation provided during the year (note 6)	(2,778)	(894)	(1,203)	(2,575)	(7,450)
At 31 December 2020, net of accumulated depreciation	134,251	2,436	1,641	5,393	143,721
At 31 December 2020:					
Cost	143,971	5,351	6,275	13,455	169,052
Accumulated depreciation	(9,720)	(2,915)	(4,634)	(8,062)	(25,331)
Net carrying amount	134,251	2,436	1,641	5,393	143,721

14. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Held under leases RMB'000	Total RMB'000
Carrying amount at 31 December 2019	1,760,000	1,109,300	49,100	2,918,400
Additions	–	169,373	182	169,555
Transferred from properties under development (note 20)	–	47,202	–	47,202
Transferred from completed properties held for sale (note 21)	7,906	–	–	7,906
Net gain from a fair value adjustment	38,594	76,925	(12,982)	102,537
Carrying amount at 31 December 2020	1,806,500	1,402,800	36,300	3,245,600
Additions	–	**82,909**	–	**82,909**
Acquisition of subsidiaries (note 37)	–	**227,300**	–	**227,300**
Transferred from properties under development (note 20)	–	**160,143**	–	**160,143**
Transferred to properties under development (note 20)	–	**(1,281,200)**	–	**(1,281,200)**
Transfer	**45,700**	**(45,700)**	–	–
Net gain from a fair value adjustment	**49,900**	**15,148**	**(16,600)**	**48,448**
Carrying amount at 31 December 2021	**1,902,100**	**561,400**	**19,700**	**2,483,200**

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 2021 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB2,483,200,000 (2020: RMB3,245,600,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

The Group also entered into certain sale and leaseback transactions, under which the Group sells a property and then leases it back from the owner to generate various income streams, such as rental and management fees. Under the sale and leaseback arrangement, the Group may also incur additional operating expenses, such as marketing and management fees, and may suffer losses, damages and liabilities if the Group fails to fulfil contract obligations stipulated in the sale and leaseback agreements. The gains arising from the sales and leaseback transactions were nil (2020: Nil) for the year ended 31 December 2021.

The income from subleasing those right-of-use assets was RMB14,190,000 for the year ended 31 December 2021 (2020: RMB9,160,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

14. INVESTMENT PROPERTIES (Continued)

Certain of the Group's investment properties with fair value of approximately RMB2,045,426,000 as at 31 December 2021 (2020: RMB1,793,317,000) have been pledged to secure bank and other borrowings granted to the Group (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties				
Under construction	–	–	395,700	395,700
Completed	–	–	1,856,400	1,856,400
Held under leases	–	–	19,700	19,700
Residential properties				
Under construction	–	–	165,700	165,700
Completed	–	–	45,700	45,700
	–	–	2,483,200	2,483,200

	Fair value measurement as at 31 December 2020 using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties				
Under construction	–	–	1,357,800	1,357,800
Completed	–	–	1,806,500	1,806,500
Held under leases	–	–	36,300	36,300
Residential properties				
Under construction	–	–	45,000	45,000
	–	–	3,245,600	3,245,600

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 31 December	
			2021	2020
Commercial properties completed	Income approach	Expected rental value (per square metre per month)	RMB45-198	RMB108-195
		Capitalisation rate	2.5-5.5%	2.5-5.5%
Commercial properties under construction	Comparison method	Comparable market value (per square metre)	RMB7,406-8,177	RMB10,000-11,873
Commercial properties held under leases	Income approach	Expected rental value (per square metre per month)	RMB111-183	RMB111-183
		Capitalisation rate	5.5-6.0%	5.5-6.0%
Residential properties completed	Income approach	Expected rental value (per square metre per month)	RMB63	–
		Capitalisation rate	3.25%	–
Residential properties under construction	Comparison method	Expected profit margin	2%	5%

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties, assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost, marketing cost, management fees, finance cost and professional fees to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

15. LEASES

The Group as a lessee

The Group has lease contracts for office buildings, motor vehicles and office equipment. Leases of office buildings generally have lease terms between 2 and 3 years. Motor vehicles and office equipment generally have lease terms of 12 months or less or are individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office buildings	
	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of the year	1,777	4,472
Additions	4,098	1,734
Depreciation charge during the year (note 6)	(3,437)	(4,429)
Carrying amount at end of the year	2,438	1,777

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of the year	86,795	116,664
New leases	4,098	1,916
Accretion of interest recognised during the year	2,649	3,537
Payments	(38,359)	(35,322)
Carrying amount at end of the year	55,183	86,795
Analysed into:		
Current portion	30,014	32,277
Non-current portion	25,169	54,518

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	2,649	3,537
Depreciation charge of right-of-use assets	3,437	4,429
Expense relating to short-term leases	5,469	1,393
Expense relating to leases of low-value assets	434	394
Total amount recognised in profit or loss	11,989	9,753

The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

(d) The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB60,225,000 (2020: RMB46,688,000), details of which are included in note 5 to the financial statements.

15. LEASES (Continued)

The Group as a lessee (Continued)

***(d) The Group as a lessor* (Continued)**

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	51,275	60,860
After one year but within two years	24,357	50,700
After two years but within three years	9,127	30,870
After three years but within four years	6,631	22,157
After four years but within five years	4,014	16,561
After five years	3,287	5,438
	98,691	186,586

16. INTANGIBLE ASSETS

	2021 RMB'000	2020 RMB'000
Software		
At the beginning of the year:		
Cost	5,692	4,488
Accumulated amortisation	(3,526)	(2,522)
Net carrying amount	2,166	1,966
Carrying amount at the beginning of the year:	2,166	1,966
Additions	–	1,204
Amortisation provided during the year (note 6)	(845)	(1,004)
Carrying amount at the end of the year	1,321	2,166
At the end of the year:		
Cost	5,692	5,692
Accumulated amortisation	(4,371)	(3,526)
Net carrying amount	1,321	2,166

17. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	582,657	357,174
Financial guarantees provided to joint ventures	29,845	–
	612,502	357,174

The Group has guaranteed certain of the bank and other borrowings made to its joint ventures, details of which are set out in note 40. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

The Group's receivable and payable balances with joint ventures are disclosed in note 41 to the financial statements.

(a) Particulars of the Group's material joint ventures is as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Effective percentage of ownership interest indirectly attributable to the Company	Principal activities
上海上坤飛榮置業有限公司 Shanghai Sunkwan Feirong Property Co., Ltd. ("Sunkwan Feirong")	Shanghai, PRC 2016	RMB8,000	50%	Property development and property leasing
蘇州和都置業有限公司* Suzhou Hedu Property Co., Ltd. ("Suzhou Hedu")	Jiangsu, PRC 2018	RMB50,000	20%	Property development

Pursuant to the investment framework agreement and the articles of association of these companies, all shareholder resolutions of these companies shall be resolved by all shareholders on a unanimous basis. Therefore, these companies were accounted for as joint ventures of the Group during the year.

17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) Sunkwan Feirong, which is considered as a material joint venture of the Group for the years ended 31 December 2021 and 2020, co-develops a property development project with the other joint venture partner in Mainland China and the joint venture is accounted for using the equity method.

Suzhou Hedu, which is considered as material joint venture is of the Group for the year ended 31 December 2020, co-develop a property development project with the other joint venture partners in Mainland China and the joint venture is accounted for using the equity method.

The following table illustrates the financial information of Sunkwan Feirong, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	For the year ended 31 December	
	2021 Sunkwan Feirong RMB'000	2020 Sunkwan Feirong RMB'000
Cash and cash equivalents	2,873	7,226
Other current assets	349,125	1,922,482
Current assets	351,998	1,929,708
Non-current assets	2,761,137	2,424,968
Current liabilities	(1,426,766)	(2,869,318)
Non-current liabilities	(1,127,621)	(1,084,750)
Net asset	558,748	400,608
Reconciliation to the Group's interests in the joint ventures:		
Proportion of the Group's ownership	50%	50%
The Group's share of net assets of the joint ventures	279,374	200,304
Revenue	29,764	–
Expenses	(80,625)	(3,040)
Fair value gains on investment properties	261,872	405,541
Tax	(52,871)	(106,385)
Profit for the year	158,140	296,116
Total comprehensive income for the year	158,140	296,116

17. INVESTMENTS IN JOINT VENTURES (Continued)

	For the year ended 31 December 2020 Suzhou Hedu RMB'000
Cash and cash equivalents	186,089
Other current assets	294,116
Current assets	480,205
Non-current assets	–
Current liabilities	(186,660)
Non-current liabilities	–
Net asset	293,545
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	20%
The Group's share of net assets of the joint venture	58,709
Revenue	1,737,803
Expenses	(1,366,317)
Tax	(93,072)
Profit for the year	278,414
Total comprehensive income for the year	278,414

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' losses	(44,605)	(42,775)
Share of the joint ventures' total comprehensive income	(44,605)	(42,775)
Aggregate carrying amount of the Group's investments in the joint ventures	303,283	98,161

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2021 as the investments in joint ventures are considered fully recoverable (2020: Nil). The joint ventures have been accounted for using the equity method in these financial statements.

18. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets	1,966,759	1,584,016
Financial guarantees provided to associates	5,458	–
	1,972,217	1,584,016

The Group has guaranteed certain of the bank and other borrowings made to its associates, details of which are set out in note 40. In the opinion of the directors, the financial guarantee services are unlikely to be compensated in the foreseeable future and are considered as part of the Group's net investments in the associates.

The Group's receivable and payable balances with associates are disclosed in note 41 to the financial statements.

The associates of the Group are considered not individually material for the year ended 31 December 2021.

(a) Particulars of the Group's material associates are as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Effective percentage of ownership interest indirectly attributable to the Company	Principal activities
蘇州高新光耀萬坤置地有限公司 Suzhou GaoXin GuangYao Property Co., Ltd. ("Suzhou GaoXin GuangYao")	Jiangsu, PRC 2017	RMB400,000	24.5%	Property development
慈溪市金桂置業有限公司 Cixi Jingui Property Co., Ltd. ("Cixi Jingui")	Zhejiang, PRC 2018	RMB50,000	16%	Property development

Pursuant to the articles of association of these companies, the other shareholder of these entities has enough voting power to control and operate these entities. Thus, these companies are accounted for as associates of the Group during the year.

18. INVESTMENTS IN ASSOCIATES (Continued)

(b) Cixi Jingui and Suzhou Gaoxin Guangyao, which are considered as material associates of the Group for the year ended 31 December 2020, co-develop a property development project with other associate partners in Mainland China, and the associates are accounted for using the equity method.

The following table illustrates the summarised financial information of Cixi Jingui and Suzhou Gaoxin Guangyao, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements for the year ended 31 December 2020:

	Cixi Jingui RMB'000	Suzhou Gaoxin Guangyao RMB'000
Cash and cash equivalents	214,195	38,828
Other current assets	272,171	629,837
Current assets	486,366	668,665
Non-current assets	699	123
Current liabilities	(276,182)	(183,226)
Non-current liabilities	–	–
Net asset	210,883	485,562
Reconciliation to the Group's interests in the associates:		
Proportion of the Group's ownership	16%	24.5%
The Group's share of net assets of the associates	33,741	118,963
Revenue	2,051,801	1,139,710
Expenses	(1,739,914)	(1,011,926)
Tax	(78,130)	(30,153)
Profit for the year	233,757	97,631
Total comprehensive income for the year	233,757	97,631

(c) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the associates' profits and losses	(11,710)	12,612
Share of the associates' total comprehensive income	(11,710)	12,612
Aggregate carrying amount of the Group's investments in the associates	1,966,759	1,431,312

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2021 as the investments in associates are considered fully recoverable (2020: Nil). The associates have been accounted for using the equity method in these financial statements.

19. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Accrued construction cost RMB'000	Unrealised revenue in contract liabilities RMB'000	Accrued LAT RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	7,629	827	69,234	137,677	638,541	29,166	883,074
Acquisition of a subsidiary	525	–	–	21,056	–	–	21,581
Deferred tax credited/(charged) to profit or loss during the year (note 10)	39,358	(238)	(49,621)	(69,076)	(169,184)	(7,467)	(256,228)
At 31 December 2020 and 1 January 2021	47,512	589	19,613	89,657	469,357	21,699	648,427
Acquisition of subsidiaries (note 37)	–	–	–	62,380	–	–	62,380
Disposal of subsidiaries (note 38)	–	–	–	(14,635)	–	–	(14,635)
Deferred tax credited/(charged) to profit or loss during the year (note 10)	164,167	322	40,270	135,191	(285,340)	(7,903)	46,707
At 31 December 2021	211,679	911	59,883	272,593	184,017	13,796	742,879

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from properties under development RMB'000	Fair value adjustments arising from business combinations RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	2,152	196,599	–	53,139	2,048	253,938
Acquisition of a subsidiary	–	–	–	15,780	–	15,780
Deferred tax charged/(credited) to profit or loss during the year (note 10)	92	25,635	–	(6,028)	(628)	19,071
At 31 December 2020 and 1 January 2021	2,244	222,234	–	62,891	1,420	288,789
Acquisition of subsidiaries (note 37)	–	6,992	–	22,101	–	29,093
Transfer	–	(84,007)	84,007	–	–	–
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(23)	12,112	–	17,004	158	(4,757)
At 31 December 2021	2,221	157,331	84,007	67,988	1,578	313,125

19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	616,919	521,353
Net deferred tax liabilities recognised in the consolidated statement of financial position	(187,165)	(161,715)
	429,754	359,638

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB114,966,000 (2020: RMB83,450,000).

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	1,197,360	991,136
Deductible temporary differences	689,979	735,403
	1,887,339	1,726,539

19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax liabilities (Continued)

Tax losses not recognised will expire as follows:

	2021 RMB'000	2020 RMB'000
2021	–	51,596
2022	98,512	108,176
2023	235,748	235,748
2024	332,792	332,792
2025	262,824	262,824
2026	267,484	–
	1,197,360	991,136

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
At the beginning of the year	12,495,168	10,859,280
Additions	13,541,849	7,976,048
Acquisition of subsidiaries (note 37)	2,373,586	565,495
Disposal of subsidiaries (note 38)	(2,617,737)	–
Transferred from investment properties (note 14)	1,281,200	–
Transferred to completed properties held for sale (note 21)	(7,179,525)	(6,806,647)
Transferred to investment properties (note 14)	(160,143)	(47,202)
Impairment losses recognised (note 6)	(126,998)	(80,289)
Impairment losses transferred to completed properties held for sale (note 21)	132,121	28,483
At the end of the year	19,739,521	12,495,168

The Group's properties under development are situated on leasehold land in Mainland China.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB11,672,587,000 (2020: RMB7,400,552,000) as at 31 December 2021 have been pledged to secure bank and other borrowings granted to the Group (note 30).

20. PROPERTIES UNDER DEVELOPMENT (Continued)

The movements in provision for impairment of properties under development are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	(111,925)	(60,119)
Impairment losses recognised (note 6)	(126,998)	(80,289)
Impairment losses transferred to completed properties held for sale (note 21)	132,121	28,483
At the end of the year	(106,802)	(111,925)

21. COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Carrying amount at the beginning of the year	1,562,937	1,051,766
Transferred from properties under development (note 20)	7,179,525	6,806,647
Disposal of subsidiaries (note 38)	(826,796)	–
Transferred to cost of properties sold (note 6)	(6,999,276)	(6,259,087)
Transferred to investment properties (note 14)	–	(7,906)
Impairment losses transferred from properties under development (note 20)	(132,121)	(28,483)
At the end of the year	784,269	1,562,937

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB87,027,000 as at 31 December 2021 (2020: RMB57,500,000), have been pledged to secure bank and other borrowings granted to the Group (note 30).

The movements in provision for impairment of completed properties held for sale are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	(20,977)	(31,484)
Impairment losses transferred from properties under development (note 20)	(132,121)	(28,483)
Disposal of subsidiaries	20,977	–
Impairment losses transferred to cost of properties sold	86,968	38,990
At the end of the year	(45,153)	(20,977)

The value of completed properties held for sale is assessed at the end of the year. An impairment exists when the carrying value exceeds its net realisable value which is calculated based on the expected/contract selling prices less costs to be incurred in selling the properties.

22. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	24,481	26,488
Less: Impairment	(602)	(575)
	23,879	25,913

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Less than 1 year	24,118	26,402
Over 1 year	363	86
	24,481	26,488

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	575	801
Impairment losses recognised (note 6)	27	(226)
At the end of the year	602	575

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due and are not subject to enforcement activity.

22. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Current	Past due Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.3%	0.7%	3.0%	10.0%	25.0%	
Gross carrying amount (RMB'000)	13,403	1,255	6,908	2,552	363	24,481
Expected credit losses (RMB'000)	40	9	207	255	91	602

As at 31 December 2020

	Current	Past due Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.3%	0.7%	3.0%	10.0%	25.0%	
Gross carrying amount (RMB'000)	15,550	1,360	7,014	2,220	344	26,488
Expected credit losses (RMB'000)	47	10	210	222	86	575

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Due from non-controlling shareholders of the subsidiaries	2,397,208	1,756,182
Prepaid taxes and other tax recoverable	712,948	431,567
Prepayments for construction cost	21,727	10,457
Outstanding consideration for disposal of associates	635,000	–
Prepayments for acquisition of land use rights	–	646,781
Deposits related to third parties' land use rights	–	59,529
Deposits for land auction	–	70,000
Other deposits	261,707	478,600
Others	5,488	23,165
	4,034,078	3,476,281
Less: Impairment	(3,038)	(1,779)
	4,031,040	3,474,502

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	1,779	2,503
Impairment losses recognised/(reversed) (note 6)	1,259	(724)
At the end of the year	3,038	1,779

The internal credit rating of amounts due from non-controlling shareholders of the subsidiaries and other receivables was regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. At the end of each reporting period, these receivables were categorised in stage 1 and the 12-month expected loss is calculated to be 0.1% by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit loss rate remained the same during the reporting period as there were no significant changes in historical loss rates or forecast economic conditions in the real estate industry.

24. CONTRACT COST ASSETS

	2021 RMB'000	2020 RMB'000
Contract costs arising from the sale of properties	174,931	51,497

Management expected that the contract acquisition costs, which represented primarily sales commission for obtaining property sales contracts, are recoverable. The Group has deferred the amounts paid and will charge them to profit or loss when the related revenue is recognised. As at 31 December 2021, the amounts charged to profit or loss were RMB103,475,000 (2020: RMB124,203,000), and there was no impairment loss.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Wealth management product	30,500	74,988
Fund investment	80,097	38,221
	110,597	113,209

The above wealth management product at 31 December 2021 was issued by a bank in Mainland China. It is classified as a financial asset at fair value through profit or loss as its contractual cash flows do not qualify for solely payments of principal and interest.

The above fund investment at 31 December 2021 was classified as a financial asset at fair value through profit or loss as it was held for trading.

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	4,483,099	5,333,488
Less: Restricted cash	1,471,491	1,768,413
Pledged deposits	64,828	199,881
Cash and cash equivalents	2,946,780	3,365,194

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts a certain amount of pre-sale proceeds or self-owned capital as guarantee deposits for the constructions of the related properties. The restricted cash should mainly be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such restricted cash will be released after the completion of construction of the related properties. As at 31 December 2021, such restricted cash of pre-sale proceeds amounted to RMB1,379,015,000 (2020: RMB952,189,000).

As at 31 December 2021, the restricted cash also included cash from borrowings that is restricted to use in the construction of properties amounting to RMB37,849,000 (2020: RMB4,487,000). As at 31 December 2021, the restricted cash included an amount of RMB29,627,000 (2020: RMB11,728,000) which was frozen by the People's Court due to lawsuits. As at 31 December 2021, restricted cash included time deposits amounting to RMB25,000,000 (2020: RMB800,000,000) would mature in more than three months when acquired by the Group and earn interest at the time deposit rates.

Bank deposits of RMB20,100,000 were pledged as security for bank and other borrowings as at 31 December 2021 (2020: RMB122,347,000) (note 30). Bank deposits of RMB44,728,000 were pledged as security for purchasers' mortgage loans, construction of projects and pledged to banks as collateral for issuance of bank acceptance notes at 31 December 2021 (2020: RMB77,534,000).

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

Cash and bank balances were denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Cash and bank balances		
Denominated in RMB	4,422,775	5,272,050
Denominated in HK$	60,230	61,433
Denominated in US$	94	5
	4,483,099	5,333,488

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The internal credit rating of restricted cash, pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

27. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the year, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Less than 1 year	2,059,070	1,691,174
Over 1 year	42,113	23,724
	2,101,183	1,714,898

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of the year approximated to their corresponding carrying amounts due to their relatively short maturity terms.

28. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Due to non-controlling shareholders of subsidiaries	2,692,281	1,113,387
Retention deposits related to construction	203,089	162,281
Payroll and welfare payable	31,976	64,975
Other tax and surcharges	119,439	81,699
Interest payable	40,420	32,813
Deposits related to sales of properties	20,871	11,032
Outstanding consideration for business combination	–	6,600
Maintenance fund	993	13,837
Advances from third parties related to land use rights	–	1,019,188
Others	75,191	65,786
	3,184,260	2,571,598

Other payables and amounts due to non-controlling shareholders of subsidiaries as at 31 December 2021 are unsecured, non-interest-bearing and repayable on demand, except for amounts due to non-controlling shareholders of subsidiaries of RMB418,000,000 as at 31 December 2021 which bear interest at fixed interest rates ranging from 12.5% to 15.0% per annum. The fair values of other payables at the end of the year approximated to their corresponding carrying amounts.

29. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2021 RMB'000	2020 RMB'000
Contract liabilities	13,741,819	8,001,562

The Group receives payments from customers based on billing schedules as established in the property sales. Payments are usually received in advance of the performance under the contracts which are mainly from property development sales.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	13.00	2022	200,000	–	2021	–
Other loans – secured	9.00-16. 50	2022	1,234,085	11.00-17.50	2021	1,568,525
Other loans – unsecured	–	2022	–	12.00	2021	43,400
Current portion of long term bank loans – secured	4.75-10.00	2022	1,118,750	5.88-8.53	2021	202,000
Current portion of long term other loans – secured	5.35-13.00	2022	594,500	12.00-16.50	2021	515,695
			3,147,335			2,329,620
Non-current						
Bank loans – secured	3.85-9.60	2023-2035	3,521,458	4.75-10.00	2022-2035	2,386,000
Other loans – secured	5.35-15.00	2023-2024	1,922,760	8.00-17.00	2022-2024	4,029,748
			5,444,218			6,415,748
			8,591,553			8,745,368

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,318,750	202,000
In the second year	1,680,867	295,000
In the third to fifth years, inclusive	1,840,591	1,420,000
Beyond five years	–	671,000
	4,840,208	2,588,000
Other loans repayable:		
Within one year or on demand	1,828,585	2,127,620
In the second year	1,554,548	2,313,511
In the third to fifth years, inclusive	368,212	1,716,237
	3,751,345	6,157,368
	8,591,553	8,745,368

The Group's bank and other borrowings are denominated in RMB.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting period as follows:

	Notes	2021 RMB'000	2020 RMB'000
Property, plant and equipment	13	131,474	134,251
Investment properties	14	2,045,426	1,793,317
Properties under development	20	11,672,587	7,400,552
Completed properties held for sale	21	87,027	57,500
Pledged deposits	26	20,100	122,347

Certain of the bank and other borrowings of up to RMB1,506,000,000 were guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2021 (2020: RMB2,020,000,000).

Ms. Zhu Jing has guaranteed certain of the bank and other borrowings up to RMB83,000,000 as at 31 December 2021(2020: Nil).

31. PROVISION FOR FINANCIAL GUARANTEE CONTRACTS

	2021 RMB'000	2020 RMB'000
At the beginning of the year	–	–
Fair value changes	–	–
Additions	35,303	–
At the end of the year	35,303	–

The financial guarantee contracts represent guarantees given to banks and other financial institutions in connection with borrowings made to the Group's joint ventures and associates, details of which are set out in note 42.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the directors of the Group.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders (i.e., the banks) for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor (i.e., the joint ventures and associates). During the year ended 31 December 2021, an ECL allowance of RMB35,303,000 was provided as a result of guarantees provided to the joint ventures and associates (2020: nil).

32. SENIOR NOTES

	31 December 2021				31 December 2020			
	Principal at original currency '000	Contractual interest rate (%)	Maturity	RMB'000 (Unaudited)	Principal at original currency '000	Contractual interest rate (%)	Maturity	RMB'000 (Audited)
Senior notes due 2022 ("2022 Notes I")	US$185,000	12.75%	2022	1,242,210	–	–	–	–
Senior notes due 2022 ("2022 Notes II")	US$210,000	12.25%	2022	1,391,310	–	–	–	–
				2,633,520				–
Less: Current portion				(2,633,520)				–
Non-current portion				–				–

	31 December 2021 RMB'000 (Audited)	31 December 2020 RMB'000 (Audited)
The Group's senior notes were repayable as follows:		
Repayable within one year or on demand	2,633,520	–

2022 Notes I

On 22 January 2021, the Company issued the 2022 Notes at a coupon rate of 12.75% due within 2022 with an aggregate principal amount of US$185,000,000. The Company raised net proceeds of US$181,612,000 (after deduction of underwriting discounts and commissions and other expenses). At any time and from time to time prior to 21 January 2022, the Company may redeem the 2022 Notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

2022 Notes II

On 22 July 2021, the Company issued the 2022 Notes at a coupon rate of 12.25% due within 2022 with an aggregate principal amount of US$210,000,000. The Company raised net proceeds of US$204,566,000 (after deduction of underwriting discounts and commissions and other expenses). At any time and from time to time prior to 21 July 2022, the Company may redeem the 2022 Notes II at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The 2022 Notes I and 2022 Notes II are guaranteed by certain of the Group's existing subsidiaries.

The fair values of the early redemption options of the 2022 Notes I and 2022 Notes II were not significant, and therefore, were not recognised by the Group on inception and at 31 December 2021.

33. SHARE CAPITAL

Shares

	2021 US$	2020 US$
Issued and fully paid:		
2,072,940,000 (2020: 2,072,940,000) ordinary shares of US$0.000001 each	2,073	2,073

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2020	1,500,000,000	11
Issuance of new shares	500,000,000	3
Issuance of new shares on an over-allotment option	72,940,000	–
At 31 December 2020 and 1 January 2021	2,072,940,000	14
At 31 December 2021	2,072,940,000	14

On 17 November 2020, upon its listing on the Hong Kong Stock Exchange, the Company issued 500,000,000 new ordinary shares with par value US$0.000001 each at HK$2.28 per share for a total cash consideration of HK$1,140,000,000 (equivalent to approximately RMB966,948,000). The respective share capital amount was approximately RMB3,288 and share premium arising from the issuance was approximately RMB925,962,000 net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB40,983,000 were treated as a deduction against the share premium arising from the issuance.

On 10 December 2020, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares at HK$2.28 per share for a total cash consideration of HK$166,303,000 (equivalent to approximately RMB140,460,000). The respective share capital amount was approximately RMB478 and share premium arising from the issuance was approximately RMB137,375,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB3,085,000 were treated as a deduction against the share premium arising from the issuance.

34. SHARE-BASED PAYMENT

Restricted Share Units ("RSUs")

The Group adopted the RSU Scheme whereby the Group provided additional incentives to the Group's existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors), consultants or officers of the Company or any of its subsidiaries ("RSU Eligible Persons") through the issuance of RSUs to the participants at the discretion of the Board of Directors. The RSUs vest over a requisite service period of 2 years and expire 10 years from the date of grant.

The expense arising from equity-settled share-based compensation for the year ended 31 December 2021 was RMB11,000,000 (31 December 2020: Nil).

The following table illustrates the number and the movements in RSUs granted to employees during the period:

	For the year ended 31 December	
	2021 Number	2020 Number
Outstanding at 1 January 2021	–	–
Granted during the period	16,568,000	–
Outstanding at 31 December 2021	16,568,000	–

During the current year, RSUs were granted on 27 January 2021 and 1 July 2021. The fair values of the RSUs determined at the date of grant based on the market value of the Company's shares were HK$2.316 and HK$2.550, respectively.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2021 are presented in the consolidated statement of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(c) Capital reserve

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/(received) for acquisition of non-controlling interests/(disposal of non-controlling interests in subsidiaries). Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Percentage of effective equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
31 December 2021			
Changzhou Qiansheng	**60**	**44,160**	**213,023**
Ningbo Yueyuan	**75**	**77,912**	**82,648**
Dongyang Kunyu	**62**	**73,773**	**174,048**
Sheshan Country Club*	**50**	**205,434**	**901,496**
31 December 2020			
Jinhua Jingkun	49	57,242	292,925
Cixi Hengkun	70	79,613	76,612
Sheshan Country Club*	50	266,149	696,062
Dongguan Herui	75	102,062	147,143

Note:

* On 18 June 2020, the Group announced the distribution of dividends to the non-controlling shareholder of Sheshan Country Club amounting to RMB1,124,007,000. On 28 June 2020, the Group and the non-controlling shareholder completed capital injections to Sheshan Country Club amounting to RMB740,000,000 and RMB740,000,000, respectively. The Group acquired 5% equity interests in Shanghai Xinyao and Shanghai Quankun on 30 November 2020, which jointly held 100% equity interests in Sheshan Country Club. Since then, the percentage of effective equity interest held by non-controlling interests changed from 55% to 50%.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

For the year ended 31 December 2021

	Changzhou Qiansheng RMB'000	Ningbo Yueyuan RMB'000	Dongyang Kunyu RMB'000	Sheshan Country Club RMB'000
Revenue	1,506,343	642,373	523,795	62,119
Total expenses	(1,408,157)	(503,548)	(364,502)	(61,109)
Income tax expense	(24,586)	(34,942)	(39,823)	409,858
Profit and total comprehensive income for the year	73,600	103,883	119,470	410,868
Current assets	1,467,005	282,321	1,118,550	4,673,338
Non-current assets	48,105	1,272	12,977	481,245
Current liabilities	(1,160,072)	(173,396)	(849,668)	(2,221,212)
Non-current liabilities	–	–	–	–
	355,038	110,197	281,859	2,933,371
Net cash flows (used in)/from operating activities	(160,046)	130,812	48,812	92,946
Net cash flows used in investing activities	–	–	–	(33)
Net cash flows used in financing activities	–	(140,000)	–	(85,767)
Net (decrease)/increase in cash and cash equivalents	(160,046)	(9,188)	48,812	7,146

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

For the year ended 31 December 2020

	Jinhua Jingkun RMB'000	Cixi Hengkun RMB'000	Sheshan Country Club RMB'000	Dongguan Herui RMB'000
Revenue	1,041,355	817,165	1,583,095	874,747
Total expenses	(875,833)	(665,411)	(845,907)	(693,173)
Income tax expense	(48,701)	(38,021)	(204,891)	(45,492)
Profit and total comprehensive income for the year	116,821	113,733	532,297	136,082
Current assets	807,061	228,366	5,880,207	764,917
Non-current assets	1,460	2,479	1,776,922	6,667
Current liabilities	(210,714)	(121,399)	(5,134,626)	(575,394)
Non-current liabilities	–	–	–	–
	597,807	109,446	2,522,503	196,190
Net cash flows (used in)/from operating activities	(61,661)	128,762	(72,994)	(7,941)
Net cash flows used in investing activities	–	–	(178,653)	–
Net cash flows from/(used in) financing activities	45,000	(128,000)	(52,347)	–
Net (decrease)/increase in cash and cash equivalents	(16,661)	762	(303,994)	(7,941)

37. BUSINESS COMBINATIONS

(a) Acquisition of Hangzhou Xiangjing

The Group held a 35% equity interest in Hangzhou Xiangjing which is engaged in property development and was accounted for as a joint venture previously. On 20 August 2021, the Group acquired an additional 65% equity interest in Hangzhou Xiangjing from unlisted companies, Shanghai Dajia Xiangding Enterprise Development Group Co., Ltd. and Zhejiang Jingdu Real Estate Group Co., Ltd.. The acquisition was satisfied by offsetting other receivables due from Shanghai Dajia Xiangding Enterprise Development Group Co., Ltd. and Zhejiang Jingdu Real Estate Group Co., Ltd. amounting to RMB173,136,000 and cash of RMB86,864,000. After the acquisition, Hangzhou Xiangjing became a wholly-owned subsidiary of the Group. The acquisition was part of the Group's strategy to expand its market share of property development and operation.

(b) Acquisition of Henan Chenbo

The Group held a 50% equity interest in Henan Chenbo which is engaged in property development and was accounted for as a joint venture previously. On 31 August 2021, the Group acquired an additional 10% equity interest in Henan Chenbo from an unlisted company, Ningbo Huixin Property Co., Ltd. at a cash consideration of RMB10,000. After the acquisition, the Group held 60% of voting rights in shareholders' meetings according to the contractual arrangement and articles of association with the then equity holders and could appoint 2 out of 3 directors in the board of directors, both of which give the Group the current ability to direct the relevant activities of Henan Chenbo. Accordingly, Henan Chenbo was accounted for as a subsidiary of the Group. The acquisition was part of the Group's strategy to expand its market share of property development and operation.

(c) Acquisition of Zhujie Xinyu

On 31 July 2021, the Group acquired a 90% equity interest in Zhuji Xinyu, which is engaged in property development by capital injection of RMB10,000,000. After the acquisition, the Group held 51% of voting rights in shareholders' meetings according to the contractual arrangement and articles of association with the then equity holders and could appoint 2 out of 3 directors in the board of directors, both of which give the Group the current ability to direct the relevant activities of Zhujie Xinyu. Accordingly, Zhujie Xinyu was accounted for as a subsidiary of the Group. The acquisition was part of the Group's strategy to expand its market share of property development and operation.

37. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of these companies as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	594
Investment properties (note 14)	227,300
Deferred tax assets (note 19)	62,380
Properties under development (note 20)	2,373,586
Prepayments, other receivables and other assets	553,445
Due from related companies	132,945
Tax recoverable	70,607
Restricted cash	48,315
Cash and cash equivalents	323,630
Trade and bills payables	(49,724)
Other payables and accruals	(73,441)
Due to related companies	(114,873)
Tax payables	(2,676)
Contract liabilities	(3,127,107)
Deferred tax liabilities (note 19)	(29,093)
Total identifiable net assets at fair value	395,888
Capital injection by the Group	10,000
Non-controlling interests	(1,151)
Net assets acquired	404,737
Fair value of investments in the joint ventures held before business combinations	134,727
Satisfied by cash	96,874
Offset by other receivable	173,136

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash considerations	(96,874)
Cash and cash equivalents acquired	323,630
Net inflow of cash and cash equivalents included in cash flows from investing activities	226,756

38. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Cixi Xingkun Property Co., Ltd. ("Cixi Xingkun")

Pursuant to the share transfer agreement dated 28 April 2021, the Group disposed of its 34% equity interest in Cixi Xingkun to an independent third party, Shanghai Huoyue Enterprise Management Co., Ltd. for a consideration of RMB125,854,000. After the disposal, Cixi Xingkun ceased to be a subsidiary of the Group and the financial results of Cixi Xingkun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(b) Disposal of Hefei Jiakun Property Co., Ltd. ("Hefei Jiakun")

Pursuant to the share transfer agreement dated 11 June 2021, the Group disposed of its 100% equity interest in Hefei Jiakun to an independent third party, Shanghai Liangshen Enterprise Management Company Limited for a consideration of RMB319,930,000. After the disposal, Hefei Jiakun ceased to be a subsidiary of the Group and the financial results of Hefei Jiakun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(c) Disposal of Zhengzhou Huikun Property Co., Ltd. ("Zhengzhou Huikun")

Pursuant to the share transfer agreement dated 31 May 2021, the Group disposed of its 90% equity interest in Zhengzhou Huikun to an independent third party, Zhengzhou Shengkun Enterprise Management Co., Ltd. for a consideration of RMB350,000. After the disposal, Zhengzhou Huikun ceased to be a subsidiary of the Group and the financial results of Zhengzhou Huikun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(d) Disposal of Zhengzhou Lekun Property Co., Ltd. ("Zhengzhou Lekun")

Pursuant to the share transfer agreement dated 31 May 2021, the Group disposed of its 90% equity interest in Zhengzhou Lekun to an independent third party, Zhengzhou Shengkun Enterprise Management Co., Ltd. for a consideration of RMB420,000. After the disposal, Zhengzhou Lekun ceased to be a subsidiary of the Group and the financial results of Zhengzhou Lekun would no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of.

(e) Disposal of Hangzhou Kunyin Property Co., Ltd. ("Hangzhou Kunyin")

Pursuant to the share transfer agreement dated 28 January 2021, the Group disposed of its 51% equity interest in Hangzhou Kunyin to an independent third party, Zhejiang Aojin Real Estate Co., Ltd. for a consideration of nil. The Group held a 49% equity interest of Hangzhou Kunyin which has been accounted for as an associate of the Group since then. The consideration was determined by reference to the paid in capital (nil) on the date of disposal.

38. DISPOSAL OF SUBSIDIARIES (Continued)

(f) Disposal of Shanghai Kaiyue Property Co., Ltd. ("Shanghai Kaiyue")

Pursuant to the share transfer agreement dated 14 May 2021, the Group disposed of its 33% and 33% equity interests in Shanghai Kaiyue to independent third parties, Shanghai Dongyue Industry Co., Ltd. and Yixin Yuehai Real Estate Development Co., Ltd. for considerations of nil and nil, respectively. The Group held a 34% equity interest of Shanghai Kaiyue which has been accounted for as a joint venture of the Group since then. The consideration was determined by reference to the paid-in capital (nil) on the date of disposal.

(g) Disposal of Hangzhou Xinyao Property Co., Ltd. ("Hangzhou Xinyao")

Pursuant to the share transfer agreement dated 11 November 2021, the Group disposed of its 100% equity interests in Hangzhou Xinyao to a joint venture, Wuxi Heying Enterprise Management Co., Ltd. for a consideration of nil. The Group held a 15% effective equity interest of Hangzhou Xinyao which has been accounted for as a subsidiary of a joint venture of the Group since then. The consideration was determined by reference to the paid in capital (nil) on the date of disposal.

(h) Disposal of Wuhan Kunyi Property Co., Ltd. ("Wuhan Kunyi")

Pursuant to the share transfer agreement dated 14 September 2021, the Group disposed of its 51% equity interests in Wuhan Kunyi to an independent third party, Shanghai Shili Enterprise Management Co., Ltd. for a consideration of nil. The Group held a 51% equity interest of Wuhan Kunyi which has been accounted for as a joint venture of the Group since then. The consideration was determined by reference to the fair value on the date of disposal.

(i) Disposal of Shanghai Xinkunjiankang Management Co., Ltd. ("Shanghai Xinkunjiankang")

Pursuant to the share transfer agreement dated 14 September 2021, the Group disposed of its 49% equity interests in Shanghai Xinkunjiankang to an independent third party, Shanghai Shili Enterprise Management Co., Ltd. for a consideration of nil. The Group held a 51% equity interest of Shanghai Xinkunjiankang which has been accounted for as a joint venture of the Group since then. The consideration was determined by reference to the fair value on the date of disposal.

(j) Disposal of Shanghai Wanyue Property Co., Ltd. ("Shanghai Wanyue")

Pursuant to the share transfer agreement dated 9 November 2021, the Group disposed of its 100% equity interest in Shanghai Wanyue to an independent third party, Shanghai Yuyi Trading Company Limited for a consideration of RMB14,577,000 in total. After the disposal, Shanghai Wanyue will cease to be a subsidiary of the Group and the financial results of Shanghai Wanyue will no longer be consolidated into the consolidated financial statements of the Group. The consideration was determined by reference to the fair value of the equity interest disposed of on the date of disposal.

38. DISPOSAL OF SUBSIDIARIES (Continued)

The carrying values of the assets and liabilities on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	80,773
Restricted cash	45,574
Properties under development	2,617,737
Prepayments, other receivables and other assets	1,263,038
Tax recoverable	55,256
Deferred taxes assets	14,635
Completed properties held for sale	826,796
Investments in joint ventures	30,913
Property, plant and equipment	314
Contract cost assets	5,625
Trade and bills payables	(118,920)
Contract liabilities	(567,796)
Interest-bearing bank and other borrowings	(1,198,100)
Tax payable	(2,481)
Other payables and accruals	(1,696,185)
Due to related companies	(658,742)
Non-controlling interests	(260,199)
	438,238
Gain on disposal of subsidiaries (note 6)	27,169
Satisfied by cash	465,407
Cash consideration	465,407
Cash and cash equivalents disposed of	(80,773)
Net inflow of cash and cash equivalents in respect of the disposal	384,634

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	RMB'000
Cash consideration	465,407
Cash and cash equivalents disposed of	(80,773)
Net inflow of cash and cash equivalents in respect of the disposal	384,634

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB1,449,000 (2020: RMB1,734,000) and non-cash additions to lease liabilities of RMB1,449,000 (2020: RMB5,115,000) for the year ended 31 December 2021 in respect of lease arrangements for buildings and offices.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Senior notes RMB'000	Due to related companies RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2020	6,766,257	–	631,642	116,664	7,514,563
Cash flows from/(used in) financing activities	2,001,302	–	(91,923)	(31,785)	1,877,594
Cash flows used in non-financing activities	–	–	(594)	–	(594)
New operating lease	–	–	–	5,115	5,115
Accrual of interest	(22,191)	–	–	(3,199)	(25,390)
At 31 December 2020	8,745,368	–	539,125	86,795	9,371,288
Cash flows from/(used in) financing activities	1,044,285	2,598,095	45,664	(35,710)	3,652,334
Decrease in trade-related amounts due to related companies	–	–	(3,816)	–	(3,816)
Exchange gains	–	35,425	–	–	35,425
Acquisition of subsidiaries	–	–	114,873	–	114,873
Disposal of subsidiaries	(1,198,100)	–	–	–	(1,198,100)
New operating lease	–	–	–	1,449	1,449
Accrual of interest	–	–	–	2,649	2,649
At 31 December 2021	8,591,553	2,633,520	695,846	55,183	11,976,102

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	2,649	3,537
Within financing activities	35,710	31,785
	38,359	35,322

40. CONTINGENT LIABILITIES

At the end of the year, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	2021 RMB'000	2020 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	7,855,867	6,325,012
Guarantees given to banks in connection with facilities granted to related companies	(2)	4,952,850	3,698,325

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in the case of default on payments, the net realisable value of the related properties would be sufficient for repaying the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies. As of 31 December 2021, an allowance of RMB35,303,000 (31 December 2020: Nil) was provided for as a result of the guarantees provided to the related companies.

Except as disclosed above, during the year and up to the end of the year, neither the Group nor the Company was involved in any litigation, arbitration or administrative proceedings, claims or disputes which had a material adverse effect on the Group's financial condition or results of operation.

41. COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property development activities	3,997,118	1,313,888
Acquisition of land use rights	–	1,385,709
Capital contribution for investments in joint ventures and associates	398,665	95,484
	4,395,783	2,795,081

42. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	2021 RMB'000	2020 RMB'000
Advances from related companies:		
Joint ventures	1,268,914	24,448
Associates	495,873	326,775
Companies controlled by the Controlling Shareholder	–	861,310
	1,764,787	1,212,533
Repayment of advances from related companies:		
Joint ventures	1,418,913	3,845
Associates	300,210	391,584
Companies controlled by the Controlling Shareholder	–	909,027
	1,719,123	1,304,456

42. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	2021 RMB'000	2020 RMB'000
Advances to related companies:		
Joint ventures	5,692,762	2,423,490
Associates	1,309,681	431,812
Companies controlled by the Controlling Shareholder	–	53,740
	7,002,443	2,909,042
Repayment of advances to related companies:		
Joint ventures	3,322,331	2,220,848
Associates	877,378	974,120
Companies controlled by the Controlling Shareholder	–	314,650
	4,199,709	3,509,618

	2021 RMB'000	2020 RMB'000
Property management services from companies controlled by the Controlling Shareholder (note)	22,076	17,772
Finance costs from a company controlled by the Controlling Shareholder (note)	–	370
Office building rental services from a joint venture (note)	4,852	–
Consulting services to joint ventures and associates (note)	8,551	38,132
Miscellaneous purchases from a company controlled by the Controlling Shareholder (note)	–	30,436
Construction services from a company controlled by the Controlling Shareholder (note)	–	3,963

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the companies involved.

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

	2021 RMB'000	2020 RMB'000
Guarantees provided to related parties:		
Joint ventures	3,558,350	3,805,625
Associates	1,394,500	240,000

Ms. Zhu Jing, the chairman and an executive director of the board of directors, has guaranteed certain of the bank and other borrowings up to RMB83,000,000 as at 31 December 2021(2020: nil).

(c) Outstanding balances with related parties

	2021 RMB'000	2020 RMB'000
Due from related companies:		
Non-trade-related:		
Joint ventures	4,297,760	1,156,796
Associates	611,351	185,162
	4,909,111	1,341,958
Due to related companies:		
Trade-related:		
Companies controlled by the Controlling Shareholder	17,920	21,737
Due to related companies:		
Non-trade-related:		
Joint ventures	303,807	50,559
Associates	374,119	466,829
	677,926	517,388

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

42. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	12,991	14,855
Equity-settled share option expense	7,929	–
Pension scheme contributions	943	417
Total compensation paid to key management personnel	21,863	15,272

Further details of directors' emoluments are included in note 8 to the financial statements.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade receivables (note 22)	23,879	–	23,879
Financial assets included in prepayments, other receivables and other assets	3,037,696	–	3,037,696
Due from related companies (note 42)	4,909,111	–	4,909,111
Financial assets at fair value through profit or loss (note 25)	–	110,597	110,597
Restricted cash (note 26)	1,471,491	–	1,471,491
Pledged deposits (note 26)	64,828	–	64,828
Cash and cash equivalents (note 26)	2,946,780	–	2,946,780
	12,453,785	110,597	12,564,382

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2021 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 27)	2,101,183
Due to related companies (note 42)	695,846
Financial liabilities included in other payables and accruals	2,807,892
Interest-bearing bank and other borrowings (note 30)	8,591,553
Provision for financial guarantee contracts (note 31)	35,303
Senior notes (note 32)	2,633,520
Lease liabilities	55,183
	16,920,480

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade receivables (note 22)	25,913	–	25,913
Financial assets included in prepayments, other receivables and other assets	1,779,347	–	1,779,347
Due from related companies (note 42)	1,341,958	–	1,341,958
Financial assets at fair value through profit or loss (note 25)	–	113,209	113,209
Restricted cash (note 26)	1,768,413	–	1,768,413
Pledged deposits (note 26)	199,881	–	199,881
Cash and cash equivalents (note 26)	3,365,194	–	3,365,194
	8,480,706	113,209	8,593,915

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2020 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 27)	1,714,898
Due to related companies (note 42)	539,125
Financial liabilities included in other payables and accruals	1,218,587
Interest-bearing bank and other borrowings (note 30)	8,745,368
Lease liabilities	86,795
	12,304,773

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the year, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets				
Financial assets at FVTPL (note 25)	**110,597**	113,209	**110,597**	113,209
Financial liabilities				
Interest-bearing bank and other borrowings (note 30)	**8,591,553**	8,745,368	**8,626,829**	8,745,102
Provision for financial guarantee contracts (note 30)	**34,080**	–	**34,080**	–
Senior notes	**2,633,520**	–	**1,507,056**	–
Lease liabilities	**55,183**	86,795	**55,183**	86,795
	11,314,336	8,832,163	**10,223,148**	8,831,897

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, an amount due from a shareholder, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

The fair values of interest-bearing bank and other borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

For the fair values of other financial liabilities, management has estimated by discounting the expected future cash flows using expected return rates for the underlying assets in order to estimate the cash outflow amounts to settle the liabilities. The fair value measurement of the financial liabilities is categorised within level 3 of the fair value hierarchy.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at FVTPL – Fund investment	Market multiple	Price to book ratio	31 December 2021: 0.92-1.27	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB1,058,000/ RMB1,058,000
			31 December 2020: 1.38-1.52	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB1,818,000/ RMB1,818,000
Provision for financial guarantee contracts	Expected credit loss model	Recovery rate	2021: 35.70%-40.00%	1% increase/decrease in recovery rate would result in a decrease/ increase in fair value by RMB173,000/ RMB173,000
		Discount rate	2021: 1.78%-3.44%	1% increase/decrease in discount rate would result in a decrease/ increase in fair value by RMB6,000/RMB6,000

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Financial assets at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2021	**30,500**	**56,786**	**23,311**	**110,597**
As at 31 December 2020	74,988	–	38,221	113,209

The movements in fair value measurements within Level 3 during the year are as follows:

	Fund investment RMB'000	Contingent consideration RMB'000	Total RMB'000
Carrying amount at 1 January 2020	52,202	3,326	55,528
Additions	–	–	
Disposal/settlement	(14,260)	(3,326)	(17,586)
Net gain from a fair value adjustment	279	–	279
Carrying amount at 31 December 2020 and 1 January 2021	38,221	–	38,221
Disposal/settlement	**(14,944)**	**–**	**(14,944)**
Net gain from a fair value adjustment	**34**	**–**	**34**
Carrying amount at 31 December 2021	**23,311**	**–**	**23,311**

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Provision for financial guarantee contracts

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2021	–	–	34,080	34,080
As at 31 December 2020	–	–	–	–

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	8,626,289	–	8,626,289
Senior notes	1,507,056	–	–	1,507,056
Lease liabilities	–	55,183	–	55,183
	1,507,056	8,681,472	–	10,188,528

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: **(Continued)**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	8,745,102	–	8,745,102
Senior notes	–	–	–	–
Lease liabilities	–	86,795	–	86,795
	–	8,831,897	–	8,831,897

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, other receivables, trade payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as lease liabilities, interest-bearing bank and other borrowings, senior notes, provision for financial guarantee contracts, financial assets at FVTPL, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings as set out in note 30. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating and fixed rate borrowings, would have decreased/increased by approximately RMB9,066,000 at 31 December 2021 (2020: RMB6,729,000).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$, US$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in US$ or HK$/RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2021			
If the RMB weakens against HK$	5	3,012	3,012
If the RMB strengthens against HK$	(5)	(3,012)	(3,012)
If the RMB weakens against US$	5	(131,676)	(131,676)
If the RMB strengthens against US$	(5)	131,676	131,676
2020			
If the RMB weakens against HK$	5	3,071	3,071
If the RMB strengthens against HK$	(5)	(3,071)	(3,071)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as the instrument type and credit risk ratings, for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally three to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Management makes periodic collective assessments for financial assets included in prepayments and other receivables, amounts due from related companies and an amount due from a shareholder as well as individual assessments on the recoverability of other receivables, amounts due from related companies and an amount due from a shareholder based on historical settlement records and past experience. The Group classified financial assets included in prepayments and other receivables and amounts due from related companies in Stage 1 and continuously monitored their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments and other receivables, amounts due from related companies and an amount due from a shareholder.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	23,879	23,879
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,037,696	–	–	–	3,037,696
Due from related companies	4,909,111	–	–	–	4,909,111
Restricted cash	1,471,491	–	–	–	1,471,491
Pledged deposits	64,828	–	–	–	64,828
Cash and cash equivalents	2,946,780	–	–	–	2,946,780
	12,429,906	–	–	23,879	12,453,785

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging **(Continued)**

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	25,913	25,913
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,779,347	–	–	–	1,779,347
Due from related companies	1,341,958	–	–	–	1,341,958
Restricted cash	1,768,413	–	–	–	1,768,413
Pledged deposits	199,881	–	–	–	199,881
Cash and cash equivalents	3,365,194	–	–	–	3,365,194
	8,454,793	–	–	25,913	8,480,706

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 22 to the financial statements. There is no significant concentration of credit risk.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the year, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2021					
Trade and bills payables	2,101,183	–	–	–	2,101,183
Other payables and accruals	2,807,892	–	–	–	2,807,892
Due to related companies	971,144	–	–	–	971,144
Senior notes	75,193	1,336,705	1,420,904	–	2,832,802
Lease liabilities	–	669	31,881	28,368	60,918
Interest-bearing bank and other borrowings	–	660,058	3,207,603	6,417,620	10,285,281
	5,955,412	1,997,432	4,660,388	6,445,988	19,059,220
31 December 2020					
Trade and bills payables	1,714,898	–	–	–	1,714,898
Other payables and accruals	1,218,587	–	–	–	1,218,587
Due to related companies	539,125	–	–	–	539,125
Lease liabilities	–	927	32,660	58,262	91,849
Interest-bearing bank and other borrowings	–	765,515	2,469,575	7,892,456	11,127,546
	3,472,610	766,442	2,502,235	7,950,718	14,692,005

Please refer to note 2.1 for analysis of going concern basis of preparation.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, trade payables, other payables and accruals, amounts due to related companies, lease liabilities, provision for financial guarantee contracts, senior notes and interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the years were as follows:

	2021 RMB'000	2020 RMB'000
Trade and bills payables	2,101,183	1,714,898
Other payables and accruals (note 28)	3,184,260	2,571,598
Due to related companies (note 42)	971,144	539,125
Lease liabilities (note 15(b))	55,183	86,795
Senior notes (note 32)	2,633,520	–
Provision for financial guarantee contracts	34,080	–
Interest-bearing bank and other borrowings (note 30)	8,591,553	8,745,368
Less: Cash and bank balances	(4,483,099)	(5,333,488)
Net debt	13,087,824	8,324,296
Equity attributable to owners of the parent	2,501,223	2,279,497
Capital and net debt	15,589,047	10,603,793
Gearing ratio	84%	79%

46. EVENT AFTER THE REPORTING PERIOD

On 3 January 2022, 21 January 2022 and 24 January 2022, the Company issued the senior notes listed on the Stock Exchange with an aggregate principal amount of US$160.2 million due 2023, which bear interest at a rate of 13.5% per annum, payable in arrears on 3 July 2022 and 2 January 2023. For more details, please refer to the announcements of the Company dated 29 December 2021, 3 January 2022, 4 January 2022, 20 January 2022, 21 January 2022 and 24 January 2022.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	51,682	51,363
Total non-current assets	51,682	51,363
CURRENT ASSETS		
Cash and cash equivalents	60,411	44,327
Due from subsidiaries	3,340,463	1,013,771
Total current assets	3,400,874	1,058,098
CURRENT LIABILITIES		
Other payables and accruals	5,552	3,069
Senior notes	2,633,520	–
Due to subsidiaries	661	342
Total current liabilities	2,639,733	3,411
NET CURRENT ASSETS	761,141	1,054,687
TOTAL ASSETS LESS CURRENT LIABILITIES	812,823	1,106,050
Net assets	812,823	1,106,050
EQUITY		
Share capital	14	14
Reserves (note)	812,809	1,106,036
Total equity	812,823	1,106,050

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020 and 31 December 2019	1,063,334	51,021	–	(8,319)	1,106,036
Total comprehensive loss for the year	–	–	–	(264,896)	(264,896)
Dividends and distributions	(39,331)	–	–	–	(39,331)
Share-based compensation expenses	–	–	11,000	–	11,000
Balance at 31 December 2021	1,024,003	51,021	11,000	(273,215)	812,809

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

Financial Summary

1 KEY DATA OF INCOME STATEMENT

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
REVENUE	1,201,102	6,847,436	7,535,159	8,190,576	8,340,071
Cost of sales	(829,815)	(3,321,645)	(4,464,234)	(6,396,196)	(7,167,914)
GROSS PROFIT	371,287	3,525,791	3,070,925	1,794,380	1,172,157
Finance income	9,712	15,884	15,804	17,313	83,849
Other income and gains	5,285	7,546	11,242	8,320	96,891
Selling and distribution expenses	(78,482)	(161,220)	(213,653)	(240,058)	(267,339)
Administrative expenses	(130,918)	(241,341)	(250,741)	(277,508)	(323,303)
Impairment losses on financial assets	(1,575)	(1,152)	(390)	950	(1,286)
Other expenses	(1,507)	(3,259)	(3,159)	(7,181)	(13,523)
Fair value gains on investment properties	254,227	159,818	175,812	102,537	48,448
Fair value (losses)/gains on financial assets at fair value through profit or loss	4,166	2,557	1,883	368	(74,220)
Finance costs	(220,063)	(281,311)	(261,734)	(301,971)	(322,520)
Share of profits and losses of:					
Joint ventures	5,730	(6,206)	15,753	160,965	34,465
Associates	(80)	(3,965)	(8,237)	73,933	(11,710)
PROFIT BEFORE TAX	217,782	3,013,142	2,553,505	1,332,048	421,909
Income tax expense	(183,204)	(2,340,234)	(1,876,616)	(446,886)	161,597
PROFIT FOR THE YEAR	34,578	672,908	676,889	885,162	583,506
Profit attributable to:					
Owners of the parent	49,971	154,553	219,532	356,064	250,057
Non-controlling interests	(15,393)	518,355	457,357	529,098	333,449

2 KEY DATA OF FINANCIAL POSITION

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Total non-current assets	2,973,031	3,571,218	4,104,257	5,855,807	5,826,434
Total current assets	12,137,591	16,316,794	20,776,740	24,665,806	34,549,112
Total assets	15,110,622	19,888,012	24,880,997	30,521,613	40,375,546
Total non-current liabilities	3,074,823	4,664,361	2,768,878	6,631,981	5,656,552
Total current liabilities	11,397,996	13,408,873	19,349,447	17,607,063	26,866,888
Total liabilities	14,472,819	18,073,234	22,118,325	24,239,044	32,523,440
Total equity	637,803	1,814,778	2,762,672	6,282,569	7,852,106
Equity attributable to owners of the parent	627,694	614,091	860,030	2,279,497	2,501,223
Non-controlling interests	10,109	1,200,687	1,902,642	4,003,072	5,350,883

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To the shareholders of Sunkwan Properties Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunkwan Properties Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 194, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Group owns investment properties in Mainland China which were measured at fair value with aggregate carrying amount of RMB3,245,600,000 on 31 December 2020, which represented 10.6% of the Group's total assets. The Group has engaged an external valuer to perform the valuation of these properties as at 31 December 2020. Significant judgement is required to determine the fair value of the investment properties, which reflects the market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values. The fair value of completed commercial properties and properties held under leases was determined by using the income approach, which has taken into account the rental income of the properties derived from the existing and/or achievable leases in the existing market with due allowance for the reversionary income potential of the leases, and then applied appropriate capitalisation rate. The fair value of commercial properties under construction and residential properties under construction were determined by using the comparison method, which has taken into account the comparable market value. Changes in these assumptions would have significant effects on the valuation of investment properties. Accordingly, the valuation of investment properties was identified as a key audit matter. The accounting policies and disclosures of the investment properties are included in notes 2.4, 3 and 14 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls of management in valuation of investment properties. We evaluated the competency, independence and objectivity of the external valuer. We understood the valuation approach and key assumptions used by the external valuer. We assessed the correctness of the property related data used as inputs for the valuations and involved our internal valuation experts to assist us in evaluating the valuation methodology and the underlying assumptions. We evaluated the source data used in the valuation by benchmarking them to relevant market information on a sample basis. We assessed the disclosures related to the valuation of investment properties in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Key audit matter	How our audit addressed the key audit matter
Provision for land appreciation tax The Group is a property developer in Mainland China focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Land appreciation tax ("LAT") in Mainland China is one of the main components of the Group's taxation charge. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of the year, the management of the Group estimated the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. The disclosures of the provision for land appreciation tax are included in notes 3 and 10 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls of management in calculation of the provision for land appreciation tax. We involved internal tax specialists to assist us in performing a review on the LAT position, including the review of the estimates and assumptions used by the Group and the evaluation of tax exposure based on communications received from the relevant tax authorities and applying our local knowledge and experience. We also recalculated the tax computation and compared our calculations with the amounts recorded by the Group. We assessed the disclosures related to the provision for land appreciation tax in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements for the reporting period as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company 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 SIU FUNG TERENCE HO.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**8,190,576**	7,535,159
Cost of sales		**(6,396,196)**	(4,464,234)
GROSS PROFIT		**1,794,380**	3,070,925
Finance income		**17,313**	15,804
Other income and gains	5	**8,320**	11,242
Selling and distribution expenses		**(240,058)**	(213,653)
Administrative expenses		**(277,508)**	(250,741)
Impairment losses on financial assets		**950**	(390)
Other expenses		**(7,181)**	(3,159)
Fair value gains on investment properties	14	**102,537**	175,812
Fair value gains on financial assets at fair value through profit or loss		**368**	1,883
Finance costs	7	**(301,971)**	(261,734)
Share of profits and losses of:			
Joint ventures		**160,965**	15,753
Associates		**73,933**	(8,237)
PROFIT BEFORE TAX	6	**1,332,048**	2,553,505
Income tax expense	10	**(446,886)**	(1,876,616)
PROFIT FOR THE YEAR		**885,162**	676,889
Profit attributable to:			
Owners of the parent		**356,064**	219,532
Non-controlling interests		**529,098**	457,357
		885,162	676,889
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	12	**RMB0.23 yuan**	RMB0.11 yuan

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	143,721	150,155
Right-of-use assets	15(a)	1,777	4,472
Investment properties	14	3,245,600	2,918,400
Intangible assets	16	2,166	1,966
Investments in joint ventures	17	357,174	94,333
Investments in associates	18	1,584,016	142,283
Deferred tax assets	19	521,353	792,648
Total non-current assets		5,855,807	4,104,257
CURRENT ASSETS			
Properties under development	20	12,495,168	10,859,280
Completed properties held for sale	21	1,562,937	1,051,766
Trade receivables	22	25,913	46,661
Due from related companies	38	1,341,958	1,997,139
Contract cost assets	24	51,497	52,438
Prepayments, other receivables and other assets	23	3,474,502	3,056,757
Tax recoverable		267,134	172,866
Financial assets at fair value through profit or loss	25	113,209	55,528
Restricted cash	26	1,768,413	2,360,661
Pledged deposits	26	199,881	50,145
Cash and cash equivalents	26	3,365,194	1,073,499
Total current assets		24,665,806	20,776,740
CURRENT LIABILITIES			
Trade and bills payables	27	1,714,898	1,652,322
Other payables and accruals	28	2,571,598	1,109,077
Contract liabilities	29	8,001,562	8,329,464
Due to related companies	38	539,125	631,642
Interest-bearing bank and other borrowings	30	2,329,620	4,243,248
Tax payables	10	2,417,983	3,349,387
Lease liabilities	15(b)	32,277	34,307
Total current liabilities		17,607,063	19,349,447
NET CURRENT ASSETS		7,058,743	1,427,293
TOTAL ASSETS LESS CURRENT LIABILITIES		12,914,550	5,531,550

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	6,415,748	2,523,009
Deferred tax liabilities	19	161,715	163,512
Lease liabilities	15(b)	54,518	82,357
Total non-current liabilities		6,631,981	2,768,878
Net assets		6,282,569	2,762,672
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	14	11
Reserves	32	2,279,483	860,019
		2,279,497	860,030
Non-controlling interests		4,003,072	1,902,642
Total equity		6,282,569	2,762,672

Ms. Zhu Jing
Director

Ms. Sheng Jianjing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital RMB'000 Note 31	Share premium RMB'000 Note 32(a)	Merger reserve RMB'000 Note 32(b)	Capital reserve RMB'000 Note 32(c)	Statutory surplus reserve RMB'000 Note 32(d)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2019 and 1 January 2020	11	–*	396,498*	(24,610)*	138,297*	349,834*	860,030	1,902,642	2,762,672
Profit and total comprehensive income for the year	–	–	–	–	–	356,064	356,064	529,098	885,162
Issuance of new shares	3	1,063,334	–	–	–	–	1,063,337	–	1,063,337
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	2,665,810	2,665,810
Acquisition of subsidiaries (note 34)	–	–	–	–	–	–	–	22,912	22,912
Disposal of partial interests in subsidiaries without losing control	–	–	–	66	–	–	66	6,617	6,683
Dividend paid to the non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	(1,124,007)	(1,124,007)
Appropriations to statutory surplus reserve	–	–	–	–	43,728	(43,728)	–	–	–
As at 31 December 2020	14	1,063,334*	396,498*	(24,544)*	182,025*	662,170*	2,279,497	4,003,072	6,282,569

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital RMB'000 Note 31	Share premium RMB'000 Note 32(a)	Merger reserve RMB'000 Note 32(b)	Capital reserve RMB'000 Note 32(c)	Statutory surplus reserve RMB'000 Note 32(d)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	15	–*	345,477*	–*	78,873*	189,726*	614,091	1,200,687	1,814,778
Profit and total comprehensive income for the year	–	–	–	–	–	219,532	219,532	457,357	676,889
Surrender of shares	(4)	–	–	–	–	–	(4)	–	(4)
Capital contribution by the then equity holders of subsidiaries	–	–	51,021	–	–	–	51,021	–	51,021
Capital contribution by the non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	225,589	225,589
Acquisition of a subsidiary	–	–	–	–	–	–	–	45,340	45,340
Acquisition of non-controlling interests	–	–	–	(24,766)	–	–	(24,766)	(50,216)	(74,982)
Disposal of partial interests in a subsidiary without losing control	–	–	–	156	–	–	156	23,885	24,041
Appropriations to statutory surplus reserve	–	–	–	–	59,424	(59,424)	–	–	–
As at 31 December 2019	11	–*	396,498*	(24,610)*	138,297*	349,834*	860,030	1,902,642	2,762,672

* These reserve accounts comprise the consolidated reserves of RMB2,279,483,000 (2019: RMB860,019,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,332,048	2,553,505
Adjustments for:			
Finance costs	7	301,971	261,734
Share of profits and losses of joint ventures		(160,965)	(15,753)
Share of profits and losses of associates		(73,933)	8,237
Interest income		(17,313)	(15,804)
Loss on disposal of items of property, plant and equipment, net		–	1,624
Loss on disposal of subsidiaries		–	1
Fair value gains on investment properties	14	(102,537)	(175,812)
Fair value gains on financial assets at fair value through profit or loss		(368)	(1,883)
Depreciation of items of property, plant and equipment	6,13	7,450	8,575
Depreciation of right-of-use assets	6,15(a)	4,429	4,674
Amortisation of intangible assets	6,16	1,004	904
Impairment losses recognised for properties under development	6,20	80,289	37,912
Impairment losses (reversed)/recognised for financial assets	6	(950)	390
Remeasurement gain on an investment in a joint venture held before business combination	5	–	(4,891)
		1,371,125	2,663,413
Increase in properties under development and completed properties held for sale		(1,244,066)	(374,265)
Decrease/(increase) in contract cost assets		941	(28,317)
(Increase)/decrease in prepayments, other receivables and other assets		(62,798)	96,767
(Increase)/decrease in restricted cash		664,269	(1,257,636)
Increase in pledged deposits		(50,549)	(22,021)
Decrease/(increase) in trade receivables		20,974	(18,217)
Increase in trade and bills payables		6	465,109
Increase/(decrease) in other payables and accruals		1,421,906	(35,365)
(Decrease)/increase in contract liabilities		(1,227,002)	2,445,714
Decrease/(increase) in amounts due from related companies		30,458	(30,458)
(Decrease)/increase in amounts due to related companies		(594)	11,115
Cash generated from operations		924,670	3,915,839
Interest received		17,313	15,804
Interest paid		(785,364)	(830,096)
Interest element of rental payments		(3,537)	(581)
Tax paid		(1,183,094)	(1,092,979)
Net cash flows (used in)/generated from operating activities		(1,030,012)	2,007,987

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(969)	(1,358)
Purchase of intangible assets		(1,204)	(544)
Acquisition in investment properties		(169,373)	–
Acquisition of subsidiaries	34	5,287	(8,846)
Acquisition of financial assets at fair value through profit or loss		(74,900)	–
Disposal of financial assets at fair value through profit or loss		17,587	9,303
Disposal of subsidiaries		–	(5)
Investments in joint ventures		(86,860)	(36,366)
Investments in associates		(1,358,667)	(38,852)
Repayment of an advance to a shareholder	38	–	8,747
Advances to related companies	38	(2,909,042)	(5,905,001)
Repayment of advances to related companies	38	3,509,618	5,203,661
Disposal of items of property, plant and equipment		–	10,399
Net cash flows used in investing activities		(1,068,523)	(758,862)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by the non-controlling shareholders of subsidiaries		2,660,910	225,589
Capital contribution by the then equity holder of subsidiaries		–	51,021
Acquisition of subsidiaries from the then equity holder of the subsidiaries		–	(67,550)
Payments for acquisition of non-controlling interests in subsidiaries		–	(74,982)
Proceeds from issue of new shares		1,107,404	–
Share issue expenses		(44,067)	–
Receipts from sale and lease-back transactions		–	545
Principal portion of lease payments		(31,785)	(4,672)
Advances from related companies	38	1,212,533	377,030
Repayment of advances from related companies	38	(1,304,456)	(583,902)
Dividends paid to the non-controlling shareholder of a subsidiary		(1,124,007)	–
Disposal of partial interests in subsidiaries without losing control		11,583	24,041
(Increase)/decrease in pledged deposits		(99,187)	47,154
Proceeds from interest-bearing bank and other borrowings		8,466,735	6,228,771
Repayment of interest-bearing bank and other borrowings		(6,465,433)	(6,853,340)
Net cash flows generated from/(used in) financing activities		4,390,230	(630,295)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,291,695**	618,830
Cash and cash equivalents at beginning of year		**1,073,499**	454,669
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,365,194**	1,073,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**5,333,488**	3,484,305
Less: Restricted cash	26	**1,768,413**	2,360,661
Pledged deposits	26	**199,881**	50,145
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS		**3,365,194**	**1,073,499**

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 21 August 2018. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 November 2020. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the subsidiaries now comprising the Group were involved in property development, property leasing and providing project management services in the People's Republic of China (the "PRC").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is YongHeng Holdings Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
Directly held:				
Inspiration Holdings Limited ("Inspiration Holdings")**	British Virgin Islands	United States dollar ("US$")50	100%	Investment holding
Foison Treasure Limited ("Foison Treasure")**	British Virgin Islands	US$50	100%	Investment holding
Indirectly held:				
Winning Concord Enterprises Limited ("Winning Concord")**	Hong Kong	Hong Kong dollar ("HK$")0.001	100%	Investment holding
Wanxie HK Limited ("Wanxie HK")**	Hong Kong	HK$0.001	100%	Investment holding
上海融振企業管理諮詢有限公司 Shanghai Rongzhen Business Management Consulting Co., Ltd. ("Shanghai Rongzhen")*	PRC/Mainland China	RMB10,000	100%	Investment holding

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
上海兆坤實業有限公司 Shanghai Zhaokun Industrial Co., Ltd. ("Zhaokun Industrial")**	PRC/Mainland China	RMB70,000	100%	Investment holding
上坤置業有限公司 Sunkwan Properties Co., Ltd. ("Sunkwan Property")**	PRC/Mainland China	RMB2,000,000	100%	Investment holding
上海新鑰投資有限公司 Shanghai Xinyao Investment Co., Ltd. (Note a) ("Shanghai Xinyao")**	PRC/Mainland China	RMB750,000	50%	Investment holding
上海權坤投資有限公司 Shanghai Quankun Investment Co., Ltd. (Note a) ("Shanghai Quankun")**	PRC/Mainland China	RMB10,000	50%	Investment holding
上海佘山鄉村俱樂部有限公司 Shanghai Sheshan Country Club Co., Ltd. (Note a) ("Sheshan Country Club")**	PRC/Mainland China	RMB2,699,635	50%	Property development
上海龍樞物業管理有限公司 Shanghai Longshu Property Management Co., Ltd. ("Shanghai Longshu")**	PRC/Mainland China	RMB30,000	100%	Property leasing
上海龍呂物業管理有限公司 Shanghai Longlv Property Management Co., Ltd. ("Shanghai Longlv")**	PRC/Mainland China	RMB30,000	100%	Property leasing
上海龍弼物業管理有限公司 Shanghai Longbi Property Management Co., Ltd. ("Shanghai Longbi")**	PRC/Mainland China	RMB30,000	100%	Property leasing

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
上海乾嶸置業有限公司 Shanghai Qianrong Property Co., Ltd. (Note b) ("Shanghai Qianrong")**	PRC/Mainland China	RMB8,050	100%	Property development and property leasing
上海上坤淞發置業有限公司 Shanghai Sunkwan Songfa Property Co., Ltd. ("Shanghai Sunkwan Songfa")**	PRC/Mainland China	RMB50,000	100%	Property leasing
蘇州坤翔置業有限公司 Suzhou Kunxiang Property Co., Ltd. (Note c) ("Suzhou Kunxiang")**	PRC/Mainland China	RMB100,000	70%	Property development
上海坤熵資產管理有限公司 Shanghai Kunshang Asset Management Co., Ltd. ("Shanghai Kunshang")**	PRC/Mainland China	RMB500	100%	Property leasing
合肥佳坤置業有限公司 Hefei Jiakun Property Co., Ltd. ("Hefei Jiakun")**	PRC/Mainland China	RMB426,200	100%	Property development
杭州坤鑫置業有限公司 Hangzhou Kunxin Property Co., Ltd. ("Hangzhou Kunxin")**	PRC/Mainland China	RMB10,000	100%	Property development
慈溪市崇桂房地產開發有限公司 Cixi Chonggui Real Estate Co., Ltd. (Note a) ("Cixi Chonggui")**	PRC/Mainland China	RMB5,000	33.33%	Property development
慈溪星坤置業有限公司 Cixi Xingkun Property Co., Ltd. (Note a) ("Cixi Xingkun")**	PRC/Mainland China	RMB400,000	34%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
慈溪恒坤置業有限公司 Cixi Xingkun Property Co., Ltd. (Note a) ("Cixi Hengkun")**	PRC/Mainland China	RMB10,000	30%	Property development
慈溪瑞坤置業有限公司 Cixi Ruikun Property Co., Ltd. (Note b) ("Cixi Ruikun")**	PRC/Mainland China	RMB10,000	100%	Investment holding
蘇州坤成置業有限公司 Suzhou Kuncheng Property Co., Ltd. (Note b) ("Suzhou Kuncheng")**	PRC/Mainland China	RMB30,000	100%	Investment holding
金華璟坤置業有限公司 Jinhua Jingkun Property Co., Ltd. (Note c) ("Jinhua Jingkun")**	PRC/Mainland China	RMB537,000	51%	Property development
東莞市和瑞實業投資有限公司 Dongguan Herui Industrial Investment Co., Ltd. (Note a) ("Dongguan Herui")**	PRC/Mainland China	RMB80,000	25%	Property development
上饒市宜居置業有限公司 Shangrao Yiju Property Co., Ltd. ("Shangrao Yiju")**	PRC/Mainland China	RMB510,200	100%	Property development
常熟市共築房地產有限公司 Changshu Gongzhu Property Co., Ltd. (Note a) ("Changshu Gongzhu")**	PRC/Mainland China	RMB80,000	50%	Property development
常州乾晟房地產開發有限公司 Changzhou Qiansheng Real Estate Development Co., Ltd. (Note a) ("Changzhou Qiansheng")**	PRC/Mainland China	RMB120,000	40%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
東陽坤宇置業有限公司 Dongyang Kunyu Property Co., Ltd. (Note a) ("Dongyang Kunyu")**	PRC/Mainland China	RMB400,000	38.25%	Property development
天門上坤置業有限公司 Tianmen Sunkwan Property Co., Ltd. ("Tianmen Sunkwan")**	PRC/Mainland China	RMB20,000	100%	Property development
佛山凱楓商務諮詢有限公司 Foshan Kaifeng Business Consulting Co., Ltd. ("Foshan Kaifeng Consulting")**	PRC/Mainland China	RMB10,000	100%	Property development
杭州夢坤置業有限公司 Hangzhou Mengkun Property Co., Ltd. (Note b) ("Hangzhou Mengkun")**	PRC/Mainland China	RMB10,000	100%	Investment holding
杭州翼坤置業有限公司 Hangzhou Yikun Property Co., Ltd. (Note b) ("Hangzhou Yikun")**	PRC/Mainland China	RMB8,000	100%	Investment holding
寧波悦遠置業有限公司 Ningbo Yueyuan Property Co., Ltd. (Note a) ("Ningbo Yueyuan")**	PRC/Mainland China	RMB20,000	25%	Property development
深圳上坤投資有限公司 Shenzhen Sunkwan Investment Co., Ltd. ("Shenzhen Sunkwan")**	PRC/Mainland China	RMB10,000	100%	Investment holding
蘇州坤信房地產開發有限公司 Suzhou Kunxin Property Development Co., Ltd. (Note a) ("Suzhou Kunxin")**	PRC/Mainland China	RMB50,000	35%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
杭州景上房地產開發有限公司 Hangzhou Jingshang Property Development Co., Ltd. (Note c) ("Hangzhou Jingshang")**	PRC/Mainland China	RMB50,000	52%	Property development
佛山丹坤置業有限公司 Foshan Dankun Property Co., Ltd. ("Foshan Dankun")**	PRC/Mainland China	RMB10,000	100%	Property development
佛山深卓商務信息諮詢有限公司 Foshan Shenzhuo Business Information Consulting Co., Ltd. ("Foshan Shenzhuo Consulting")**	PRC/Mainland China	RMB10,000	100%	Investment holding
蘇州上坤置業有限公司 Suzhou Sunkwan Property Co., Ltd. ("Suzhou Sunkwan")**	PRC/Mainland China	RMB10,000	100%	Investment holding
杭州代中房地產開發有限公司 Hangzhou Daizhong Real Estate Co., Ltd. (Note b) ("Hangzhou Daizhong")**	PRC/Mainland China	RMB50,000	100%	Property development
佛山深恒商務信息諮詢有限公司 Foshan Shenheng Business Information Consulting Co., Ltd. ("Foshan Shenheng Consulting")**	PRC/Mainland China	RMB10,000	100%	Investment holding
合肥鑄橋企業管理諮詢有限公司 Hefei Zhuqiao Business Management Consulting Co., Ltd. (Note b) ("Hefei Zhuqiao")**	PRC/Mainland China	RMB10,000	100%	Investment holding
杭州凱坤置業有限公司 Hangzhou Kaikun Property Co., Ltd. (Note b) ("Hangzhou Kaikun")**	PRC/Mainland China	RMB10,000	100%	Investment holding

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
杭州坤奧置業有限公司 Hangzhou Kun'ao Property Co., Ltd. (Note b) ("Hangzhou Kun'ao")**	PRC/Mainland China	RMB10,000	100%	Investment holding
合肥坤韻置業有限公司 Hefei Kunyun Property Co., Ltd. (Note b) ("Hefei Kunyun")**	PRC/Mainland China	RMB30,000	100%	Investment holding
合肥樓聚企業管理諮詢有限公司 Hefei Louju Business Management Consulting Co., Ltd. ("Hefei Louju")**	PRC/Mainland China	RMB10,000	100%	Investment holding
上海莘坤健康管理有限公司 Shanghai Xinkunjiankang Management Co., Ltd. ("Shanghai Xinkunjiankang")**	PRC/Mainland China	RMB10,000	100%	Investment holding
金華坤澤置業有限公司 Jinhua Kunze Property Co., Ltd. (Note c) ("Jinhua Kunze")**	PRC/Mainland China	RMB300,000	51%	Property development
抱龍文旅發展有限公司 Baolong Wenlv development Co., Ltd. (Note a) ("Baolong Wenlv")**	PRC/Mainland China	RMB105,000	50%	Property development
蕪湖埂安置業有限公司 Wuhu Yin'an Property Co., Ltd. (Note a) ("Wuhu Yin'an")**	PRC/Mainland China	RMB364,000	49%	Property development
佛山江坤置業有限公司 Foshan Jiangkun Property Co., Ltd. ("Foshan Jiangkun")**	PRC/Mainland China	RMB10,000	100%	Property development
合肥坤尚置業有限公司 Hefei Kunshang Property Co., Ltd. ("Hefei Kunshang")**	PRC/Mainland China	RMB200,000	100%	Property development

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of effective equity interest attributable to the Company	Principal activities
慈溪益坤置業有限公司 Cixi Yikun Property Co., Ltd. ("Cixi Yikun")**	PRC/Mainland China	RMB10,000	100%	Property development
界首坤智置業有限公司 Jieshou Kunzhi Property Co., Ltd. (Note c) ("Jieshou Kunzhi")**	PRC/Mainland China	RMB61,230	51%	Property development
紹興儀坤置業有限公司 Shaoxing Yikun Property Co., Ltd. ("Shaoxing Yikun")**	PRC/Mainland China	RMB10,000	100%	Property development
南京坤鑫置業有限公司 Nanjing Kunxin Property Co., Ltd. ("Nanjing Kunxin")**	PRC/Mainland China	RMB20,000	100%	Property development
昆山坤熙置業有限公司 Kunshan Kunxi Property Co., Ltd. ("Kunshan Kunxi")**	PRC/Mainland China	RMB20,000	100%	Property development
余姚市啟邦置業有限公司 Yuyao Qibang Property Co., Ltd. (Note c) ("Yuyao Qibang")**	PRC/Mainland China	RMB50,000	90%	Property development
嘉興市申禾房地產開發有限公司 Jiaxing Shenhe Real Estate Co., Ltd. (Note c) ("Jiaxing Shenhe")**	PRC/Mainland China	RMB20,000	51%	Property development

* The legal form of this subsidiary is a wholly foreign-owned enterprise.
** The legal form of these subsidiaries is limited liability companies.

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Note a The Group was granted more than majority of voting rights in the shareholders' meeting according to the contractual arrangement and articles of associations with the then equity holders, which gives the Group the current ability to direct the relevant activities of these entities, and therefore, these entities were accounted for as subsidiaries of the Group.

	Percentage of voting rights held by the Group
Shanghai Xinyao	51.00%
Shanghai Quankun	51.00%
Sheshan Country Club	51.00%
Cixi Chonggui	56.67%
Cixi Xingkun	67.00%
Cixi Hengkun	60.00%
Dongguan Herui	51.00%
Changshu Gongzhu	51.00%
Changzhou Qiansheng	51.00%
Dongyang Kunyu	75.00%
Ningbo Yueyuan	75.00%
Suzhou Kunxin	51.00%
Baolong Wenlv	51.00%
Wuhu Yin'an	51.00%

Note b The Group legally transferred partial interests of these subsidiaries as collateral to independent trust companies under financing arrangements as at 31 December 2020. Pursuant to the financing arrangements, the Group was obliged to repurchase the equity interests held by trust companies at a fixed amount upon repayment of the borrowings.

	Percentage of equity pledged
Shanghai Qianrong	80.12%
Cixi Ruikun	99.00%
Suzhou Kuncheng	99.00%
Hangzhou Mengkun	99.00%
Hangzhou Yikun	99.00%
Hangzhou Daizhong	99.00%
Hefei Zhuqiao	30.00%
Hangzhou Kaikun	99.00%
Hangzhou Kun'ao	91.00%
Hefei Kunyun	33.50%

The Group is exposed to variable returns from its involvement and has the ability to affect those returns through its power over the relevant activities of these entities in the ordinary course of business. The trust companies earn fixed return from their investments and their rights in these entities are considered as protected in nature. In this regard, the investments from trust companies are treated as liabilities of the Group and these entities are considered as subsidiaries.

Note c These entities are subsidiaries of a non-wholly owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over it.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all standards and interpretations, International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has early adopted the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform, amendments to IFRS 3 Definition of a Business and amendments to IAS 1 and IAS 8 Definition of Material for the comparative year's financial statements.

The Group has adopted the *Conceptual Framework for the Financial Reporting 2018* and the following revised IFRS for the first time for the current year's financial statements.

Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRS are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 December 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2020 was insignificant.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS standards *2018-2020*	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component.

The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on the exchange rates quoted by the People's Bank of China as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Annual Improvements to IFRS standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at the end of the year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the year.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and the annual depreciation rates are as follows:

Buildings	2%-5%
Motor vehicles	19%-48%
Office equipment and electronic devices	19%-48%
Leasehold improvements	20%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the year.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Transfers to or from investment property

Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or

(d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position 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.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor area ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office buildings	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties under development" or "Completed properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

***Group as a lessee* (Continued)**

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment, motor vehicles and electronic devices that are considered to be of low value.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Sale and leaseback

The Group transfers an asset to its customer (the buyer-lessor) and leases that asset back from the buyer-lessor, and the Group assesses whether the transfer of the asset is a sale applying the requirements for determining when a performance obligation is satisfied in IFRS 15.

When a sale occurs, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the adjustments to measure the sales proceeds at fair value with any below-market terms accounted for as a prepayment of lease payments and any above-market terms accounted for as additional financing provided by the buyer-lessor to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

***Subsequent measurement* (Continued)**

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has evaluated the expected loss rate that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, trade payables and other payables, lease liabilities and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers **(Continued)**

a. Sale of properties

Revenues are recognised when or as the control of the asset is transferred to the customer.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession, or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

b. Project management services

Project management service income derived from the provision of support services in connection with the development of property projects is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

Revenue from other sources

Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs assets

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee retirement benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of these payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs (Continued)

Borrowing costs include interest expense, finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are adjustments to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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 financial statements is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the Mainland China. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition from sales of properties

The Group has recognised revenue from sales of properties. 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 the point in time when the buyer obtains control of the completed property. Whether there is an enforceable right to payment depends on the terms of contracts and relevant laws that apply to the contracts. To assess the enforceability of right to payment, the Group has reviewed the terms of the contracts, the relevant local laws and the local regulators' view, and obtained legal advice, and a significant judgement is required.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Operating lease commitments

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

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 an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Consolidation Scope

The classification of an investment as a subsidiary, a joint venture or an associate is based on whether the Group is determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including the Group's representation on the chief decision-making authorities of an investee, such as the board of directors' meetings and shareholders' meetings, as well as other facts and circumstances.

Subsidiaries are consolidated, which means each of their assets, liabilities and transactions are included line by line in the Group's consolidated financial statements, whereas the interests in joint ventures and associates are equity accounted for as investments in the consolidated statement of financial position.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the timing value of money if the timing of payments agreed by the parties to the contract provides the Group with a significant benefit of financing.

Certain advance payments received from customers provide a significant financing benefit to the Group. Although the Group is required by the government to place all deposits and periodic payments received from the pre-completion sales in a stakeholders account, the Group is able to benefit from those advance payments as it can withdraw money from that account to pay for expended construction costs on the project. The advance payments received in effect reduce the Group's need to rely on other sources of financing.

The amount of the financing component is estimated at the inception of the contract. After contract inception, the discount rate is not updated for changes in interest rates or other circumstances, such as a change in credit risk. The period of financing is from the time that the payment is received until the transfer of goods to the customers is completed.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimation and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences are realised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each year. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences, and;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB3,251,417,000 (2019: RMB2,918,400,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment. As all locations have similar economic characteristics with similar nature of property development and leasing and management, a similar nature of the aforementioned business processes, a similar type or class of customers for the aforementioned businesses and similar methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	8,143,888	7,471,306
Revenue from other sources		
Gross rental income from investment property operating leases	46,688	63,853
	8,190,576	7,535,159

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Types of goods or services:		
Sale of properties	8,038,124	7,449,198
Project management services	105,764	22,108
Total revenue from contracts with customers	8,143,888	7,471,306
Timing of revenue recognition:		
Properties transferred at a point in time	8,038,124	7,449,198
Services transferred over time	105,764	22,108
Total revenue from contracts with customers	8,143,888	7,471,306

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of respective periods and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sale of properties	5,758,920	4,342,400

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied when the purchaser obtains the physical possession or the legal title of the completed property and the Group has right to payment and collection of the consideration if probable.

Project management services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to the sales of properties as at the end of the year are as follows:

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	7,059,528	6,482,591
After one year	1,260,309	2,564,356
	8,319,837	9,046,947

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

***(ii) Performance obligations* (Continued)**

An analysis of other income and gains is as follows:

	2020 RMB'000	2019 RMB'000
Other income and gains		
Remeasurement gain on an investment in a joint venture held before business combination	–	4,891
Forfeiture of deposits	3,303	1,853
Government grants	4,238	3,866
Gain on disposal of items of property, plant and equipment	–	64
Others	779	568
	8,320	11,242

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Cost of properties sold (note 21)	6,259,087	4,409,138
Impairment losses recognised for properties under development (note 20)	80,289	37,912
Impairment losses (reversed)/recognised for financial assets (notes 22 and 23)	(950)	390
Depreciation of property, plant and equipment (note 13)	7,450	8,575
Depreciation of right-of-use assets (note 15(a))	4,429	4,674
Lease payments not included in the measurement of lease liabilities	1,787	5,528
Auditor's remuneration	2,800	1,062
Amortisation of intangible assets (note 16)	1,004	904
Loss on disposal of items of property, plant and equipment, net	–	1,624
Employee benefit expense (including directors' and chief executive's remuneration in note 8):		
Wages and salaries	173,481	173,074
Pension scheme contributions and social welfare	23,248	35,284

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on interest-bearing bank and other borrowings	772,356	763,884
Interest on lease liabilities	3,537	4,704
Interest expense arising from revenue contracts	314,072	238,794
Total interest expense on financial liabilities not at fair value through profit or loss	1,089,965	1,007,382
Less: Interest capitalised	(787,994)	(745,648)
	301,971	261,734

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	168	–
Other emoluments:		
Salaries, allowances and benefits in kind	4,549	4,316
Performance-related bonuses	2,605	3,228
Equity-settled share option expense	–	–
Pension scheme contributions and social welfare	196	375
	7,518	7,919

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

Mr. Guo Shaomu, Mr. Au Yeung Po Fung, and Mr. Zhou Zheren were appointed as independent non-executive directors of the Company on 27 October 2020.

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Guo Shaomu	56	–
Mr. Au Yeung Po Fung	56	–
Mr. Zhou Zheren	56	–
	168	–

There was no other emolument payable to the independent non-executive directors during the year (2019: nil).

(b) Executive directors, non-executive directors and the chief executive

Ms. Zhu Jing was appointed as an executive director and the chief executive officer of the Company on 21 August 2018. Mr. Yang Zhandong and Ms. Sheng Jianjing were appointed as executive directors of the Company on 24 March 2020. Mr. Lin Jinfeng and Ms. Lin Zhaohong were appointed as non-executive directors of the Company on 24 March 2020.

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare remuneration RMB'000	Total RMB'000
2020:					
Executive directors:					
– Ms. Zhu Jing	2,365	1,972	–	52	4,389
– Mr. Yang Zhandong	902	306	–	92	1,300
– Ms. Sheng Jianjing	1,282	327	–	52	1,660
Non-executive directors:					
– Mr. Lin Jinfeng	–	–	–	–	–
– Ms. Lin Zhaohong	–	–	–	–	–
	4,549	2,605	–	196	7,350

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share-based payment expenses RMB'000	Pension scheme contributions and social welfare remuneration RMB'000	Total RMB'000
2019:					
Executive directors:					
– Ms. Zhu Jing	2,094	2,196	–	125	4,415
– Mr. Yang Zhandong	1,099	611	–	125	1,835
– Ms. Sheng Jianjing	1,123	421	–	125	1,669
	4,316	3,228	–	375	7,919
Non-executive directors:					
– Mr. Lin Jinfeng	–	–	–	–	–
– Ms. Lin Zhaohong	–	–	–	–	–
	4,316	3,228	–	375	7,919

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2019: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	6,365	6,374
Performance related bonuses	2,025	4,233
Equity-settled share-based payment expenses	–	–
Pension scheme contributions and social welfare	201	475
	8,591	11,082

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2020	2019
Nil to HK$500,000	–	–
HK$500,001 to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	3	–
HK$2,500,001 to HK$3,000,000	–	3
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	–	1
	4	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2020.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2020 RMB'000	2019 RMB'000
Current tax:		
Corporate income tax	200,542	866,068
LAT	(28,955)	1,275,595
Deferred tax (note 19)	275,299	(265,047)
Total tax charge for the year	446,886	1,876,616

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	1,332,048	2,553,505
Tax at the statutory tax rate	333,012	638,376
Profits and losses attributable to joint ventures and associates	(58,725)	(1,879)
Expenses not deductible for tax	1,750	3,887
Cost not deductible for tax	47,264	181,703
Tax losses utilised from previous years	(2,427)	(3,974)
Tax losses and deductible temporary differences not recognised	147,728	101,807
Provision for LAT	(28,955)	1,275,595
Tax effect on LAT	7,239	(318,899)
Tax charge at the Group's effective rate	446,886	1,876,616

10. INCOME TAX (Continued)

The share of tax charge attributable to joint ventures and associates amounted to RMB98,121,000 (2019: RMB11,709,000) for the year ended 31 December 2020. The share of tax credit attributable to joint ventures and associates amounted to RMB19,822,000 (2019: RMB9,204,000) for the year ended 31 December 2020. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

Tax payables in the consolidated statement of financial position represent:

	2020 RMB'000	2019 RMB'000
Tax payables:		
Corporate income tax	540,555	795,224
LAT	1,877,428	2,554,163
	2,417,983	3,349,387

11. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend for the year of 2020 of RMB2 cents per share (to be distributed out of the Company's Share premium account), amounting to a total of approximately RMB35,606,000, has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend has been proposed after the end of the year, and therefore, has not been recognised as liability at the end of the year.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,565,859,781 (2019: 2,045,157,534) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2020 and 2019 was based on 2,171,250,000 shares of the Company as at 21 August 2018, 78,750,000 shares of the Company issued as at 28 June 2019, and 750,000,000 shares of the Company surrendered as at 18 October 2019. On 17 November 2020, the Company issued 500,000,000 new ordinary shares. On 10 December 2020, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of the basic and diluted earnings per share amounts are based on:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	356,064	219,532

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	1,565,859,781	2,045,157,534
Earnings per share		
Basic and diluted	RMB0.23 yuan	RMB0.11 yuan

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020					
At 31 December 2019 and 1 January 2020:					
Cost	143,971	5,351	5,259	13,455	168,036
Accumulated depreciation	(6,942)	(2,021)	(3,431)	(5,487)	(17,881)
Net carrying amount	137,029	3,330	1,828	7,968	150,155
At 1 January 2020, net of accumulated depreciation	137,029	3,330	1,828	7,968	150,155
Additions	–	–	969	–	969
Acquisition of subsidiaries (note 34)	–	–	47	–	47
Depreciation provided during the year (note 6)	(2,778)	(894)	(1,203)	(2,575)	(7,450)
At 31 December 2020, net of accumulated depreciation	134,251	2,436	1,641	5,393	143,721
At 31 December 2020:					
Cost	143,971	5,351	6,275	13,455	169,052
Accumulated depreciation	(9,720)	(2,915)	(4,634)	(8,062)	(25,331)
Net carrying amount	134,251	2,436	1,641	5,393	143,721

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB134,251,000 (2019: RMB137,029,000) as at 31 December 2020 have been pledged to secure bank and other borrowings granted to the Group (note 30).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and electronic devices RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019					
At 31 December 2018 and 1 January 2019:					
Cost	158,183	5,226	4,102	13,455	180,966
Accumulated depreciation	(5,740)	(1,057)	(2,068)	(2,706)	(11,571)
Net carrying amount	152,443	4,169	2,034	10,749	169,395
At 1 January 2019, net of accumulated depreciation	152,443	4,169	2,034	10,749	169,395
Additions	–	125	1,233	–	1,358
Disposals	(11,962)	–	(61)	–	(12,023)
Depreciation provided during the year (note 6)	(3,452)	(964)	(1,378)	(2,781)	(8,575)
At 31 December 2019, net of accumulated depreciation	137,029	3,330	1,828	7,968	150,155
At 31 December 2019:					
Cost	143,971	5,351	5,259	13,455	168,036
Accumulated depreciation	(6,942)	(2,021)	(3,431)	(5,487)	(17,881)
Net carrying amount	137,029	3,330	1,828	7,968	150,155

14. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Held under leases RMB'000	Total RMB'000
Carrying amount at 31 December 2018 and 1 January 2019	1,620,500	1,062,000	59,600	2,742,100
Additions	–	–	488	488
Net gain from a fair value adjustment	139,500	47,300	(10,988)	175,812
Carrying amount at 31 December 2019	1,760,000	1,109,300	49,100	2,918,400
Additions	–	169,373	182	169,555
Transferred from properties under development (note 20)	–	47,202	–	47,202
Transferred from completed properties held for sale (note 21)	7,906	–	–	7,906
Net gain from a fair value adjustment	38,594	76,925	(12,982)	102,537
Carrying amount at 31 December 2020	1,806,500	1,402,800	36,300	3,245,600

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 2020 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB3,245,600,000 (2019: RMB2,918,400,000). The Group's senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

The Group also entered into certain sale and leaseback transactions, under which the Group sells a property and then leases it back from the owner to generate various income streams, such as rental and management fees. Under the sale and leaseback arrangement, the Group may also incur additional operating expenses, such as marketing and management fees, and may suffer losses, damages and liabilities if the Group fails to fulfil contract obligations stipulated in the sale and leaseback agreements. The gains arising from the sales and leaseback transactions were nil (2019: RMB1,880,000) for the year ended 31 December 2020.

The income from subleasing those right-of-use assets was RMB9,160,000 for the year ended 31 December 2020 (2019: RMB14,794,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

Certain of the Group's investment properties with fair value of approximately RMB1,793,317,000 as at 31 December 2020 (2019: RMB2,869,300,000) have been pledged to secure bank and other borrowings granted to the Group (note 30).

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Recurring fair value measurement for:	Fair value measurement as at 31 December 2020 using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties				
Under construction	–	–	1,357,800	1,357,800
Completed	–	–	1,806,500	1,806,500
Held under leases	–	–	36,300	36,300
Residential properties				
Under construction	–	–	45,000	45,000
	–	–	3,245,600	3,245,600

Recurring fair value measurement for:	Fair value measurement as at 31 December 2019 using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Commercial properties				
Under construction	–	–	1,109,300	1,109,300
Completed	–	–	1,760,000	1,760,000
Held under leases	–	–	49,100	49,100
	–	–	2,918,400	2,918,400

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 31 December	
			2020	2019
Commercial properties completed	Income approach	Expected rental value (per square metre per month)	RMB108-195	RMB96-189
		Capitalisation rate	2.5-5.5%	2.5-5.5%
Commercial properties under construction	Comparison method	Comparable market value (per square metre)	RMB10,000-11,873	RMB10,000-11,247
Commercial properties held under leases	Income approach	Expected rental value (per square metre per month)	RMB111-183	RMB111-183
		Capitalisation rate	5.5-6.0%	5.5-6.0%
Residential properties under construction	Comparison method	Expected profit margin	5%	N/A

The fair value of completed commercial properties is determined using the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined using the comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the properties, assuming they were completed and, where appropriate, after deducting the following items:

- Estimated construction cost, marketing cost, management fees, finance cost and professional fees to be expensed to complete the properties that would be incurred by a market participant, and;
- Estimated profit margin that a market participant would require to hold and develop the properties to completion.

The higher expected profit margin would result in the lower fair value of the investment properties under construction.

15. LEASES

The Group as a lessee

The Group has lease contracts for office buildings, motor vehicles and office equipment. Leases of office buildings generally have lease terms between 2 and 5 years. Motor vehicles and office equipment generally have lease terms of 12 months or less or are individually of low value.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office buildings	
	2020 RMB'000	2019 RMB'000
Carrying amount at beginning of the year	**4,472**	6,688
Additions	**1,734**	2,458
Depreciation charge during the year (note 6)	**(4,429)**	(4,674)
Carrying amount at end of the year	**1,777**	4,472

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at beginning of the year	**116,664**	113,722
New leases	**1,916**	3,491
Accretion of interest recognised during the year	**3,537**	4,704
Payments	**(35,322)**	(5,253)
Carrying amount at end of the year	**86,795**	116,664
Analysed into:		
Current portion	**32,277**	34,307
Non-current portion	**54,518**	82,357

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

15. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	3,537	4,704
Depreciation charge of right-of-use assets	4,429	4,674
Expense relating to short-term leases	1,393	4,768
Expense relating to leases of low-value assets	394	760
Total amount recognised in profit or loss	9,753	14,906

(d) The total cash outflow for leases is disclosed in note 35(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB46,688,000 (2019: RMB63,853,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	60,860	78,301
After one year but within two years	50,700	70,209
After two years but within three years	30,870	55,064
After three years but within four years	22,157	22,563
After four years but within five years	16,561	16,309
After five years	5,438	24,763
	186,586	267,209

16. INTANGIBLE ASSETS

	2020 RMB'000	2019 RMB'000
Software		
At the beginning of the year:		
Cost	**4,488**	3,944
Accumulated amortisation	**(2,522)**	(1,618)
Net carrying amount	**1,966**	2,326
Carrying amount at the beginning of the year:	**1,966**	2,326
Additions	**1,204**	544
Amortisation provided during the year (note 6)	**(1,004)**	(904)
Carrying amount at the end of the year	**2,166**	1,966
At the end of the year:		
Cost	**5,692**	4,488
Accumulated amortisation	**(3,526)**	(2,522)
Net carrying amount	**2,166**	1,966

17. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	**357,174**	94,333

The Group's receivable and payable balances with joint ventures are disclosed in note 38 to the financial statements.

17. INVESTMENTS IN JOINT VENTURES (Continued)

(a) Particulars of the Group's material joint ventures are as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Effective interests percentage of ownership interest indirectly attributable to the Company	Principal activities
蘇州和都置業有限公司* Suzhou Hedu Property Co., Ltd. ("Suzhou Hedu")	Jiangsu, PRC 2018	RMB50,000	20%	Property development
上海上坤飛榮置業有限公司 Shanghai Sunkwan Feirong Property Co., Ltd. ("Sunkwan Feirong")	Shanghai, PRC 2016	RMB8,000	50%	Property development and property leasing

Pursuant to the investment framework agreement and the articles of association of these companies, all shareholder resolutions of these companies shall be resolved by all shareholders on a unanimous basis. Therefore, these companies were accounted for as joint ventures of the Group during the year.

17. INVESTMENTS IN JOINT VENTURES (Continued)

(b) Suzhou Hedu and Sunkwan Feirong, which are considered as material joint ventures of the Group, co-develop a property development project with the other joint venture partners in Mainland China and the joint ventures are accounted for using the equity method.

The following table illustrates the summarised financial information of Suzhou Hedu and Sunkwan Feirong, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements for the year ended 31 December 2020:

	Suzhou Hedu RMB'000	Sunkwan Feirong RMB'000
Cash and cash equivalents	186,089	7,226
Other current assets	294,116	1,922,482
Current assets	480,205	1,929,708
Non-current assets	–	2,424,968
Current liabilities	(186,660)	(2,869,318)
Non-current liabilities	–	(1,084,750)
Net asset	293,545	400,608
Reconciliation to the Group's interests in the joint ventures:		
Proportion of the Group's ownership	20%	50%
The Group's share of net assets of the joint ventures	58,709	200,304
Revenue	1,737,803	–
Expenses	(1,366,317)	(3,040)
Fair value gains on investment properties	–	405,541
Tax	(93,072)	(106,385)
Profit for the year	278,414	296,116
Total comprehensive income for the year	278,414	296,116

(c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' profits and losses	(42,775)	15,753
Share of the joint ventures' total comprehensive income	(42,775)	15,753
Aggregate carrying amount of the Group's investments in the joint ventures	98,161	94,333

17. INVESTMENTS IN JOINT VENTURES (Continued)

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2020 as the investments in joint ventures are considered fully recoverable (2019: Nil). The joint ventures have been accounted for using the equity method in these financial statements.

18. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	1,584,016	142,283

The Group's receivable and payable balances with associates are disclosed in note 38 to the financial statements.

(a) Particulars of the Group's material associates are as follows:

Name of companies	Place and year of registration	Nominal value of registered share capital '000	Effective interests percentage of ownership interest indirectly attributable to the Company	Principal activities
蘇州高新光耀萬坤置地有限公司 Suzhou GaoXin GuangYao Property Co., Ltd. ("Suzhou GaoXin GuangYao")	Jiangsu, PRC 2017	RMB400,000	24.5%	Property development
慈溪市金桂置業有限公司 Cixi Jingui Property Co., Ltd. ("Cixi Jingui")	Zhejiang, PRC 2018	RMB50,000	16%	Property development

Pursuant to the articles of association of these companies, the other shareholder of these entities has enough voting power to control and operate these entities. Thus, these companies are accounted for as associates of the Group during the year.

18. INVESTMENTS IN ASSOCIATES (Continued)

(b) Cixi Jingui and Suzhou Gaoxin Guangyao, which are considered as material associates of the Group for the year ended 31 December 2020, and which co-develop a property development project with other associate partners in Mainland China and the associates, are accounted for using the equity method.

The following table illustrates the summarised financial information of Cixi Jingui and Suzhou Gaoxin Guangyao, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements for the year ended 31 December 2020:

	Cixi Jingui RMB'000	Suzhou Gaoxin Guangyao RMB'000
Cash and cash equivalents	214,195	38,828
Other current assets	272,171	629,837
Current assets	486,366	668,665
Non-current assets	699	123
Current liabilities	(276,182)	(183,226)
Non-current liabilities	–	–
Net asset	210,883	485,562
Reconciliation to the Group's interests in the associates:		
Proportion of the Group's ownership	16%	24.5%
The Group's share of net assets of the associates	33,741	118,963
Revenue	2,051,801	1,139,710
Expenses	(1,739,914)	(1,011,926)
Tax	(78,130)	(30,153)
Profit for the year	233,757	97,631
Total comprehensive income for the year	233,757	97,631

(c) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' profits and losses	12,612	(8,237)
Share of the associates' total comprehensive income	12,612	(8,237)
Aggregate carrying amount of the Group's investments in the associates	1,431,312	142,283

The directors of the Company are of the opinion that no provision for impairment is necessary as at 31 December 2020 as the investments in associates are considered fully recoverable (2019: Nil). The associates have been accounted for using the equity method in these financial statements.

19. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets RMB'000	Accrued construction cost RMB'000	Unrealised revenue in contract liabilities RMB'000	Accrued LAT RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	11,976	729	77,587	106,185	348,506	28,430	573,413
Acquisition of a subsidiary	1,112	–	–	6,197	–	–	7,309
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(5,459)	98	(8,353)	25,295	290,035	736	302,352
At 31 December 2019 and 1 January 2020	7,629	827	69,234	137,677	638,541	29,166	883,074
Acquisition of subsidiaries (note 34)	525	–	–	21,056	–	–	21,581
Deferred tax credited/(charged) to profit or loss during the period (note 10)	39,358	(238)	(49,621)	(69,076)	(169,184)	(7,467)	(256,228)
At 31 December 2020	47,512	589	19,613	89,657	469,357	21,699	648,427

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVTPL RMB'000	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from business combinations RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	1,681	152,646	53,305	2,480	210,112
Acquisition of a subsidiary	–	–	6,521	–	6,521
Deferred tax charged/(credited) to profit or loss during the year (note 10)	471	43,953	(6,687)	(432)	37,305
At 31 December 2019 and 1 January 2020	2,152	196,599	53,139	2,048	253,938
Acquisition of subsidiaries (note 34)	–	–	15,780	–	15,780
Deferred tax charged/(credited) to profit or loss during the period (note 10)	92	25,635	(6,028)	(628)	19,071
At 31 December 2020	2,244	222,234	62,891	1,420	288,789

19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	521,353	792,648
Net deferred tax liabilities recognised in the consolidated statements of financial position	(161,715)	(163,512)
	359,638	629,136

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB83,450,000 (2019: RMB48,813,000).

Deferred tax assets have not been recognised in respect of the following items:

	2020 RMB'000	2019 RMB'000
Tax losses	991,136	739,468
Deductible temporary differences	735,403	407,315
	1,726,539	1,146,783

19. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Tax losses not recognised will expire as follows:

	2020 RMB'000	2019 RMB'000
2020	–	1,448
2021	51,596	61,304
2022	108,176	108,176
2023	235,748	235,748
2024	332,792	332,792
2025	262,824	–
	991,136	739,468

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. PROPERTIES UNDER DEVELOPMENT

	2020 RMB'000	2019 RMB'000
At the beginning of the year	10,859,280	9,317,739
Additions	7,976,048	5,290,257
Acquisition of subsidiaries (note 34)	565,495	703,215
Transferred to completed properties held for sale (note 21)	(6,806,647)	(4,515,947)
Transferred to investment properties (note 14)	(47,202)	–
Impairment losses recognised (note 6)	(80,289)	(37,912)
Impairment losses transferred to completed properties held for sale (note 21)	28,483	101,928
At the end of the year	12,495,168	10,859,280

The Group's properties under development are situated on leasehold land in Mainland China.

Certain of the Group's properties under development with an aggregate carrying amounts of approximately RMB7,400,552,000 (2019: RMB8,315,922,000) as at 31 December 2020 have been pledged to secure bank and other borrowings granted to the Group (note 30).

20. PROPERTIES UNDER DEVELOPMENT (Continued)

The movements in provision for impairment of properties under development are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	(60,119)	(124,135)
Impairment losses recognised (note 6)	(80,289)	(37,912)
Impairment losses transferred to completed properties held for sale (note 21)	28,483	101,928
At the end of the year	(111,925)	(60,119)

21. COMPLETED PROPERTIES HELD FOR SALE

	2020 RMB'000	2019 RMB'000
Carrying amount at the beginning of the year	1,051,766	1,046,885
Transferred from properties under development (note 20)	6,806,647	4,515,947
Transferred to cost of properties sold (note 6)	(6,259,087)	(4,409,138)
Transferred to investment properties (note 14)	(7,906)	–
Impairment losses transferred from properties under development (note 20)	(28,483)	(101,928)
At the end of the year	1,562,937	1,051,766

Certain of the Group's completed properties held for sale with an aggregate carrying amounts of approximately RMB57,500,000 as at 31 December 2020 (2019: RMB923,780,000), have been pledged to secure bank and other borrowings granted to the Group (note 30).

The movements in provision for impairment of completed properties held for sale are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	(31,484)	–
Impairment losses transferred from properties under development (note 20)	(28,483)	(101,928)
Impairment losses transferred to cost of properties sold	38,990	70,444
At the end of the year	(20,977)	(31,484)

The value of completed properties held for sale is assessed at the end of the year. An impairment exists when the carrying value exceeds its net realisable value which is calculated based on the expected/contract selling prices less costs to be incurred in selling the properties.

22. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	26,488	47,462
Less: Impairment	(575)	(801)
	25,913	46,661

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Less than 1 year	26,402	45,183
Over 1 year	86	2,279
	26,488	47,462

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	801	339
Impairment losses recognised (note 6)	(226)	462
At the end of the year	575	801

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due and are not subject to enforcement activity.

22. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Current	Past due Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.3%	0.7%	3.0%	10.0%	25.0%	
Gross carrying amount (RMB'000)	15,550	1,360	7,014	2,220	344	26,488
Expected credit losses (RMB'000)	47	10	210	222	86	575

As at 31 December 2019

	Current	Past due Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	0.1%	0.5%	1.0%	5.0%	10.0%	
Gross carrying amount (RMB'000)	24,021	2,203	10,238	8,721	2,279	47,462
Expected credit losses (RMB'000)	24	11	102	436	228	801

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Due from non-controlling shareholders of the subsidiaries	1,756,182	2,483,036
Prepaid taxes and other tax recoverable	431,567	415,283
Prepayments for construction cost	10,457	6,940
Prepayments for acquisition of land use rights	646,781	–
Deposits related to third parties' land use rights	59,529	–
Deposits for land auction	70,000	–
Other deposits	478,600	133,805
Others	23,165	20,196
	3,476,281	3,059,260
Less: Impairment	(1,779)	(2,503)
	3,474,502	3,056,757

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	2,503	2,575
Impairment losses reversed (note 6)	(724)	(72)
At the end of the year	1,779	2,503

The internal credit rating of amounts due from non-controlling shareholders of the subsidiaries and other receivables was regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. At the end of each reporting period, these receivables were categorised in stage 1 and the 12-month expected loss is calculated to be 0.1% by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit loss rate remained the same during the reporting period as there were no significant changes in historical loss rates or forecast economic conditions in the real estate industry.

24. CONTRACT COST ASSETS

	2020 RMB'000	2019 RMB'000
Contract costs arising from sale of properties	51,497	52,438

Management expected that the contract acquisition costs, which represented primarily sales commission for obtaining property sales contracts, are recoverable. The Group has deferred the amounts paid and will charge them to profit or loss when the related revenue is recognised. As at 31 December 2020, the amounts charged to profit or loss were RMB124,203,000 (2019: RMB36,650,000), and there was no impairment loss.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Wealth management product	74,988	–
Fund investment	38,221	52,202
Contingent consideration	–	3,326
	113,209	55,528

The above wealth management product at 31 December 2020 was issued by a bank in Mainland China. It is classified as a financial asset at fair value through profit or loss as its contractual cash flows do not qualify for solely payments of principal and interest.

The above fund investment at 31 December 2020 was classified as a financial asset at fair value through profit or loss as it was held for trading.

On 4 July 2017, the Group acquired 100% equity interests of Shanghai Longshu, Shanghai Longlv and Shanghai Longbi from the original shareholder. According to the contractual terms, the Group agreed with the original shareholder and a subsidiary of the original shareholder, Shanghai Juanxin Enterprise Management Company Limited (「上海鐫新企業管理有限公司」), that if the property lease income is lower than the expected lease income in the coming three years, Shanghai Juanxin Enterprise Management Company Limited should make up the difference by paying the deficit amount to the Group. The fair value of the contingent consideration to be transferred to the Group was RMB26,657,000 on the acquisition date (note 34) and it was subsequently measured at fair value with changes in fair value recognised in profit or loss. The contingent consideration was settled on 31 March 2020.

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	5,333,488	3,484,305
Less: Restricted cash	1,768,413	2,360,661
Pledged deposits	199,881	50,145
Cash and cash equivalents	3,365,194	1,073,499

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts a certain amount of pre-sale proceeds or self-owned capital as guarantee deposits for the constructions of the related properties. The restricted cash should mainly be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such restricted cash will be released after the completion of construction of the related properties. As at 31 December 2020, such restricted cash of pre-sale proceeds amounted to RMB952,189,000 (2019: RMB2,320,693,000).

As at 31 December 2020, the restricted cash also included cash from borrowings that is restricted to use in construction of properties amounting to RMB4,487,000 (2019: RMB39,968,000). As at 31 December 2020, the restricted cash included an amount of RMB11,728,000 which was frozen by the People's court due to lawsuits. As at 31 December 2020, restricted cash included time deposits amounting to RMB800,000,000 (2019: nil), which would mature in more than three months when acquired by the Group and earn interest at the time deposit rates.

Bank deposits of RMB122,347,000 were pledged as security for bank and other borrowings as at 31 December 2020 (2019: RMB23,160,000) (note 30). Bank deposits of RMB77,534,000 were pledged as security for purchasers' mortgage loans and construction of projects at 31 December 2020 (2019: RMB26,985,000).

Cash and bank balances were denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
Cash and bank balances		
Denominated in RMB	5,272,050	3,484,304
Denominated in HK$	61,433	–
Denominated in US$	5	1
	5,333,488	3,484,305

26. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS (Continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The internal credit rating of restricted cash, pledged deposits and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on the 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

27. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the year, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Less than 1 year	1,691,174	1,628,177
Over 1 year	23,724	24,145
	1,714,898	1,652,322

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

The fair values of trade and bills payables as at the end of the year approximated to their corresponding carrying amounts due to their relatively short maturity terms.

28. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Due to non-controlling shareholders of subsidiaries	1,113,387	534,731
Retention deposits related to construction	162,281	71,002
Payroll and welfare payable	64,975	67,839
Other tax and surcharges	81,699	239,096
Interest payable	32,813	24,657
Deposits related to sales of properties	11,032	10,986
Outstanding consideration for business combination	6,600	–
Maintenance fund	13,837	15,952
Advances from third parties related to land use rights	1,019,188	110,000
Others	65,786	34,814
	2,571,598	1,109,077

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of the year approximated to their corresponding carrying amounts.

29. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2020 RMB'000	2019 RMB'000
Contract liabilities	8,001,562	8,329,464

The Group receives payments from customers based on billing schedules as established in the property sales. Payments are usually received in advance of the performance under the contracts which are mainly from property development sales.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Other loans – secured	11.00-17.50	2021	1,568,525	7.80-18.00	2020	799,499
Other loans – unsecured	12.00	2021	43,400			–
Current portion of long term bank loans – secured	5.88-8.53	2021	202,000	6.175-8.53	2020	1,871,671
Current portion of long term other loans – secured	12.00-16.50	2021	515,695	8.00-15.80	2020	1,572,078
			2,329,620			4,243,248
Non-current						
Bank loans – secured	4.75-10.00	2022-2035	2,386,000	8.53-10.00	2021-2033	374,000
Other loans – secured	8.00-17.00	2022-2024	4,029,748	9.00-16.50	2021-2022	2,149,009
			6,415,748			2,523,009
			8,745,368			6,766,257

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	202,000	1,871,671
In the second year	295,000	260,000
In the third to fifth years, inclusive	1,420,000	49,000
Beyond five years	671,000	65,000
	2,588,000	2,245,671
Other loans repayable:		
Within one year	2,127,620	2,371,577
In the second year	2,313,511	1,298,179
In the third to fifth years, inclusive	1,716,237	850,830
	6,157,368	4,520,586
	8,745,368	6,766,257

The Group's bank and other borrowings are denominated in RMB.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of reporting periods as follows:

	Notes	2020 RMB'000	2019 RMB'000
Property, plant and equipment	13	**134,251**	137,029
Investment properties	14	**1,793,317**	2,869,300
Properties under development	20	**7,400,552**	8,315,922
Completed properties held for sale	21	**57,500**	923,780
Pledged deposits	26	**122,347**	23,160

Certain of the bank and other borrowings of up to RMB2,020,000,000 were guaranteed by the Company's non-controlling shareholders and independent third parties as at 31 December 2020 (2019: RMB1,947,619,000).

31. SHARE CAPITAL

Shares

	2020 US$	2019 US$
Issued and fully paid:		
2,072,940,000 (2019: 1,500,000,000) ordinary shares of US$0.000001 each	**2,073**	1,500

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	2,171,250,000	15
Issuance of new shares	78,750,000	–
Surrender of shares	(750,000,000)	(4)
At 31 December 2019 and 1 January 2020	**1,500,000,000**	**11**
Issuance of new shares upon listing	**500,000,000**	**3**
Issuance of new shares on an over-allotment option	**72,940,000**	**–**
At 31 December 2020	**2,072,940,000**	**14**

31. SHARE CAPITAL (Continued)

Shares (Continued)

The Company was incorporated in the Cayman Islands on 21 August 2018 with authorised share capital of US$20,000.00 divided into 20,000,000,000 shares of US$0.000001 each at par value. On the date of incorporation, 1 ordinary share was allotted by the Company to a subscriber, and was transferred to Smoothly Holdings Limited, a company controlled by Ms. Zhu Jing. On the same day, 1,237,612,499 and 933,637,500 ordinary shares were allotted and issued by the Company to Smoothly Holdings Limited and Ginkgo Gofar Holdings Limited, respectively.

On 12 October 2018, Smoothly Holdings Limited transferred its 1,125,111,352 and 112,501,148 ordinary shares to YongHeng Holdings Limited and Broad Holdings Limited, respectively.

On 28 June 2019, 78,750,000 ordinary shares were allotted and issued by the Company to Enrich Vast Limited.

On 18 October 2019, 311,212,500, 375,036,352, 37,501,148 and 26,250,000 ordinary shares were surrendered by Ginkgo Gofar Holdings Limited, YongHeng Holdings Limited, Broad Holdings Limited and Enrich Vast Limited, respectively, and were cancelled following the surrender.

On 17 November 2020, upon its listing on the Hong Kong Stock Exchange, the Company issued 500,000,000 new ordinary shares with par value US$0.000001 each at HK$2.28 per share for a total cash consideration of HK$1,140,000,000 (equivalent to approximately RMB966,948,000). The respective share capital amount was approximately RMB3,288 and share premium arising from the issuance was approximately RMB925,962,000 net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB40,983,000 were treated as a deduction against the share premium arising from the issuance.

On 10 December 2020, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares at HK$2.28 per share for a total cash consideration of HK$166,303,000 (equivalent to approximately RMB140,460,000). The respective share capital amount was approximately RMB478 and share premium arising from the issuance was approximately RMB137,375,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB3,085,000 were treated as a deduction against the share premium arising from the issuance.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2020 are presented in the consolidated statement of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(c) Capital reserve

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/(received) for acquisition of non-controlling interests/(disposal of non-controlling interests in subsidiaries). Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Percentage of effective equity interest held by non-controlling interests %	Profit/(loss) for the year allocated to non-controlling interests RMB'000	Accumulated balances of non-controlling interests RMB'000
31 December 2020			
Jinhua Jingkun	**49**	**57,242**	**292,925**
Cixi Hengkun	**70**	**79,613**	**76,612**
Sheshan Country Club*	**50**	**266,149**	**696,062**
Dongguan Herui	**75**	**102,062**	**147,143**
31 December 2019			
Jinhua Jingkun	49	(6,159)	235,683
Cixi Xingkun	66	(4,621)	256,779
Sheshan Country Club**	50	446,520	813,920

Note:

* On 18 June 2020, the Group announced the distribution of dividends to the non-controlling shareholder of Sheshan Country Club amounting to RMB1,124,007,000. On 28 June 2020, the Group and the non-controlling shareholder completed capital injection to Sheshan Country Club amounting to RMB740,000,000 and RMB740,000,000, respectively.

** The Group acquired 5% equity interests in Shanghai Xinyao and Shanghai Quankun on 30 November 2019, which jointly held 100% equity interests in Sheshan Country Club. Since then, the percentage of effective equity interest held by non-controlling interests changed from 55% to 50%.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

For the year ended 31 December 2020

	Jinhua Jingkun RMB'000	Cixi Hengkun RMB'000	Sheshan Country Club RMB'000	Dongguan Herui RMB'000
Revenue	1,041,355	817,165	1,583,095	874,747
Total expenses	(875,833)	(665,411)	(845,907)	(693,173)
Income tax expense	(48,701)	(38,021)	(204,891)	(45,492)
Profit and total comprehensive income for the year	116,821	113,733	532,297	136,082
Current assets	807,061	228,366	5,880,207	764,917
Non-current assets	1,460	2,479	1,776,922	6,667
Current liabilities	(210,714)	(121,399)	(5,134,626)	(575,394)
Non-current liabilities	–	–	–	–
	597,807	109,446	2,522,503	196,190
Net cash flows (used in)/from operating activities	(61,661)	128,762	(72,994)	(7,941)
Net cash flows used in investing activities	–	–	(178,653)	–
Net cash flows from/(used in) financing activities	45,000	(128,000)	(52,347)	–
Net (decrease)/increase in cash and cash equivalents	(16,661)	762	(303,994)	(7,941)

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

For the year ended 31 December 2019

	Jinhua Jingkun RMB'000	Cixi Xingkun RMB'000	Sheshan Country Club RMB'000
Revenue	–	–	5,693,663
Total expenses	(16,759)	(9,022)	(3,009,704)
Income tax expense	4,190	2,020	(1,809,425)
Profit/(loss) and total comprehensive income for the year	(12,569)	(7,002)	874,534
Current assets	1,630,046	1,067,166	8,476,945
Non-current assets	19,786	5,535	1,762,021
Current liabilities	(1,168,846)	(683,642)	(8,132,461)
Non-current liabilities	–	–	(472,292)
	480,986	389,059	1,634,213
Net cash flows from operating activities	772,430	194,385	1,147,388
Net cash flows used in investing activities	(32)	–	(30)
Net cash flows used in financing activities	(774,000)	(221,363)	(816,981)
Net (decrease)/increase in cash and cash equivalents	(1,602)	(26,978)	330,377

34. BUSINESS COMBINATIONS

(a) Acquisition of Yuyao Qibang

On 20 November 2020, one subsidiary of the Group, Shanghai Aiyang Property Co., Ltd.("Shanghai Aiyang") acquired a 90% equity interest in Yuyao Qibang, an unlisted company with registered capital of RMB5,000,000 by the additional capital injection of RMB70,000,000. The acquisition was part of the Group's strategy to expand its market share of property development. The capital injection was satisfied by cash of RMB70,000,000 at the acquisition date.

Since the acquisition, Yuyao Qibang contributed nil to the Group's revenue and a net loss of RMB1,768,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. Had the combination taken place at 1 January 2020, the revenue and profit of the Group would have been RMB8,223,860,000 and RMB884,205,000, respectively.

The fair values of the identifiable assets and liabilities of Yuyao Qibang as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	31
Deferred tax assets (note 19)	7,839
Properties under development (note 20)	194,496
Prepayments, other receivables and other assets	146,908
Tax recoverable	4,783
Restricted cash	72,021
Cash and cash equivalents	4,549
Trade and bills payables	(23,828)
Other payables and accruals	(14,145)
Tax payables	(3,947)
Contract liabilities	(364,745)
Deferred tax liabilities (note 19)	(7,391)
Non-controlling interests in subsidiaries	(8,793)
Total identifiable net assets at fair value	7,778
Capital injection by the Group	70,000
	77,778
Non-controlling interests	(7,778)
Satisfied by cash	70,000

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash considerations	–
Cash and cash equivalents acquired	4,549
Net outflow of cash and cash equivalents included in cash flows from investing activities	4,549

34. BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Jiaxing Shenhe

On 20 November 2020, the Group acquired a 51% equity interest in Jiaxing Shenhe, an unlisted company with registered capital of RMB20,000,000 from Tongxiang Youbao Business Management Co., Ltd. The acquisition was part of the Group's strategy to expand its market share of property development. The acquisition was satisfied by an equity transfer at the acquisition date, and the consideration of RMB6,600,000 was paid in 8 February 2021.

Since the acquisition, Jiaxing Shenhe contributed RMB378,839,000 to the Group's revenue and a net profit of RMB47,122,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. Had the combination taken place at 1 January 2020, the revenue and profit of the Group would have been RMB8,190,576,000 and RMB875,519,000, respectively.

The fair values of the identifiable assets and liabilities of Jiaxing Shenhe Real Estate Co., Ltd. as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment (note 13)	16
Deferred tax assets (note 19)	13,742
Properties under development (note 20)	370,999
Prepayments, other receivables and other assets	207,314
Tax recoverable	13,330
Cash and cash equivalents	738
Trade and bills payables	(38,742)
Other payables and accruals	(11,714)
Tax payables	–
Contract liabilities	(534,353)
Deferred tax liabilities (note 19)	(8,389)
Total identifiable net assets at fair value	12,941
Non-controlling interests	(6,341)
Outstanding consideration for business combination	6,600

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash considerations	–
Cash and cash equivalents acquired	738
Net outflow of cash and cash equivalents included in cash flows from investing activities	738

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB1,734,000 (2019: RMB2,458,000) and non-cash additions to lease liabilities of RMB5,115,000(2019: RMB2,946,000) for the years ended 31 December 2020 in respect of lease arrangements for buildings and offices.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Due to related companies RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2019	7,458,913	928,749	113,722	8,501,384
Cash flows used in financing activities	(624,569)	(274,422)	(4,127)	(903,118)
Cash flows used in non-financing activities	(68,087)	(22,685)	(581)	(91,353)
New operating lease	–	–	2,946	2,946
Accrual of interest	–	–	4,704	4,704
At 31 December 2019	**6,766,257**	**631,642**	**116,664**	**7,514,563**
Cash flows (used in)/from financing activities	**2,001,302**	**(91,923)**	**(31,785)**	**1,877,594**
Cash flows (used in)/from non-financing activities	**–**	**(594)**	**–**	**(594)**
New operating lease	**–**	**–**	**5,115**	**5,115**
Accrual of interest	**(22,191)**	**–**	**(3,199)**	**(25,390)**
At 31 December 2020	**8,745,368**	**539,125**	**86,795**	**9,371,288**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**3,537**	6,109
Within financing activities	**31,785**	4,672
	35,322	10,781

36. CONTINGENT LIABILITIES

At the end of the year, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	(1)	6,325,012	7,570,272
Guarantees given to banks in connection with facilities granted to related companies	(2)	3,698,325	1,805,439

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within half a year to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in the case of default on payments, the net realisable value of the related properties would be sufficient for repaying the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies. In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised at the inception of the guarantee contracts and in the consolidated statements of financial position as at 31 December 2020 and 2019.

Except as disclosed above, during the year and up to the end of the year, neither the Group nor the Company was involved in any litigation, arbitration or administrative proceedings, claims or disputes which had a material adverse effect on the Group's financial condition or results of operation.

37. COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Property development activities	1,313,888	1,404,207
Acquisition of land use rights	1,385,709	–
Capital contribution for investments in joint ventures and associates	95,484	204,116
	2,795,081	1,608,323

38. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	2020 RMB'000	2019 RMB'000
Advances from related companies:		
Joint ventures	24,448	38
Associates	326,775	373,150
Companies controlled by the Controlling Shareholder	861,310	3,842
	1,212,533	377,030
Repayment of advances from related companies:		
Joint ventures	3,845	16,200
Associates	391,584	4,944
Companies controlled by the Controlling Shareholder	909,027	–
Companies controlled by key management personnel	–	562,758
	1,304,456	583,902
Repayment of an advance to a shareholder	–	8,747

38. RELATED PARTY TRANSACTIONS (Continued)

(a) Significant related party transactions (Continued)

	2020 RMB'000	2019 RMB'000
Advances to related companies:		
Joint ventures	2,423,490	1,827,225
Associates	431,812	461,818
Companies controlled by the Controlling Shareholder	53,740	3,615,958
	2,909,042	5,905,001
Repayment of advances to related companies:		
Joint ventures	2,220,848	1,265,410
Associates	974,120	136,094
Companies controlled by the Controlling Shareholder	314,650	3,802,157
	3,509,618	5,203,661

	2020 RMB'000	2019 RMB'000
Property management services from companies controlled by the Controlling Shareholder (note)	17,772	15,491
Finance costs from a company controlled by the Controlling Shareholder (note)	370	2,421
Consulting services to joint ventures and associates (note)	38,132	22,018
Miscellaneous purchases from a company controlled by the Controlling Shareholder (note)	30,436	12,045
Construction services from a company controlled by the Controlling Shareholder (note)	3,963	–

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the companies involved.

38. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

	2020 RMB'000	2019 RMB'000
Guarantees provided to related parties:		
Joint ventures	3,805,625	1,397,000
Associates	240,000	886,669
Guarantees provided by related parties:		
Controlling shareholders	–	26,500

(c) Outstanding balances with related parties

	2020 RMB'000	2019 RMB'000
Due from related companies:		
Trade-related:		
Joint ventures	–	30,458
	–	30,458
Due from related companies:		
Non-trade-related:		
Joint ventures	1,156,796	969,167
Associates	185,162	736,604
Companies controlled by the Controlling Shareholder	–	260,910
	1,341,958	1,966,681
Due to related companies:		
Trade-related:		
Companies controlled by the Controlling Shareholder	21,737	22,331
Due to related companies:		
Non-trade-related:		
Joint ventures	50,559	29,956
Associates	466,829	531,638
Companies controlled by the Controlling Shareholder	–	47,717
	517,388	609,311

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

38. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	14,855	17,129
Pension scheme contributions	417	850
Total compensation paid to key management personnel	15,272	17,979

Further details of directors' emoluments are included in note 8 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade receivables (note 22)	25,913	–	25,913
Financial assets included in prepayments, other receivables and other assets	1,779,347	–	1,779,347
Due from related companies (note 38)	1,341,958	–	1,341,958
Financial assets at fair value through profit or loss (note 25)	–	113,209	113,209
Restricted cash (note 26)	1,768,413	–	1,768,413
Pledged deposits (note 26)	199,881	–	199,881
Cash and cash equivalents (note 26)	3,365,194	–	3,365,194
	8,480,706	113,209	8,593,915

39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2020 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 27)	1,714,898
Due to related companies (note 38)	539,125
Financial liabilities included in other payables and accruals	1,218,587
Interest-bearing bank and other borrowings (note 30)	8,745,368
Lease liabilities	86,795
	12,304,773

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade receivables (note 22)	46,661	–	46,661
Financial assets included in prepayments, other receivables and other assets	2,503,232	–	2,503,232
Due from related companies (note 38)	1,997,139	–	1,997,139
Financial assets at fair value through profit or loss (note 25)	–	55,528	55,528
Restricted cash (note 26)	2,360,661	–	2,360,661
Pledged deposits (note 26)	50,145	–	50,145
Cash and cash equivalents (note 26)	1,073,499	–	1,073,499
	8,031,337	55,528	8,086,865

39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2019 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (note 27)	1,652,322
Due to related companies (note 38)	631,642
Financial liabilities included in other payables and accruals	594,202
Interest-bearing bank and other borrowings (note 30)	6,766,257
Lease liabilities	116,664
	9,761,087

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the year, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000
Financial assets				
Financial assets at FVTPL (note 25)	55,528	**113,209**	55,528	**113,209**
Financial liabilities				
Interest-bearing bank and other borrowings (note 30)	6,766,257	**8,745,368**	6,796,564	**8,745,102**
Lease liabilities	116,664	**86,795**	116,664	**86,795**

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, an amount due from a shareholder, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair values of the financial assets at FVTPL, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the financial assets at FVTPL is categorised within level 3 of the fair value hierarchy.

The fair values of interest-bearing bank and other borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at FVTPL – Fund investment	Market multiple	Price to book ratio	31 December 2020: 1.38-1.52	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB1,818,000/ RMB1,818,000
			31 December 2019: 1.33-1.51	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB2,589,000/ RMB2,589,000

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Financial assets at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020	**74,988**	**–**	**38,221**	**113,209**
As at 31 December 2019	–	–	55,528	55,528

Liabilities for which fair values are disclosed:

Interest-bearing bank and other borrowings

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020	**–**	**8,745,368**	**–**	**8,745,368**
As at 31 December 2019	–	6,796,564	–	6,796,564

Lease liabilities

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2020	**–**	**86,795**	**–**	**86,795**
As at 31 December 2019	–	116,664	–	116,664

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Lease liabilities **(Continued)**

The movements in fair value measurements within Level 3 during the year are as follows:

	Wealth management product RMB'000	Fund investment RMB'000	Contingent consideration RMB'000	Total RMB'000
Carrying amount at 1 January 2019	–	51,027	11,921	62,948
Disposal/settlement	–	–	(9,303)	(9,303)
Net gain from a fair value adjustment	–	1,175	708	1,883
Carrying amount at 31 December 2019 and 1 January 2020	–	52,202	3,326	55,528
Additions	74,900	–	–	74,900
Disposal/settlement	–	(14,260)	(3,326)	(17,586)
Net gain from a fair value adjustment	88	279	–	367
Carrying amount at 31 December 2020	74,988	38,221	–	113,209

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank equivalents, restricted cash, pledged deposits, other receivables, trade payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as lease liabilities, interest-bearing bank and other borrowings, financial assets at FVTPL, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings as set out in note 30. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating and fixed rate borrowings, would have decreased/increased by approximately RMB6,729,000 at 31 December 2020 (2019: RMB8,578,000).

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/(decrease) in HK$ rate %	Increase/(decrease) in profit before tax RMB'000
2020		
If the RMB weakens against HK$	-5%	(3,071)
If the RMB strengthens against HK$	+5%	3,071
2019		
If the RMB weakens against HK$	-5%	–
If the RMB strengthens against HK$	+5%	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as the instrument type and credit risk ratings, for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally three to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Management makes periodic collective assessments for financial assets included in prepayments and other receivables, amounts due from related companies and an amount due from a shareholder as well as individual assessments on the recoverability of other receivables, amounts due from related companies and an amount due from a shareholder based on historical settlement records and past experience. The Group classified financial assets included in prepayments and other receivables and amounts due from related companies in Stage 1 and continuously monitored their credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments and other receivables, amounts due from related companies and an amount due from a shareholder.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	25,913	25,913
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,779,347	–	–	–	1,779,347
Due from related companies	1,341,958	–	–	–	1,341,958
Restricted cash	1,768,413	–	–	–	1,768,413
Pledged deposits	199,881	–	–	–	199,881
Cash and cash equivalents	3,365,194	–	–	–	3,365,194
	8,454,793	–	–	25,913	8,480,706

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

Maximum exposure and year-end staging **(Continued)**

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	46,661	46,661
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,503,232	–	–	–	2,503,232
Due from related companies	1,997,139	–	–	–	1,997,139
Restricted cash	2,360,661	–	–	–	2,360,661
Pledged deposits	50,145	–	–	–	50,145
Cash and cash equivalents	1,073,499	–	–	–	1,073,499
	7,984,676	–	–	46,661	8,031,337

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 22 to the financial statements. There is no significant concentration of credit risk.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the year, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2020					
Trade and bills payables	**1,714,898**	**–**	**–**	**–**	**1,714,898**
Other payables and accruals	**1,218,587**	**–**	**–**	**–**	**1,218,587**
Due to related companies	**539,125**	**–**	**–**	**–**	**539,125**
Lease liabilities	**–**	**927**	**32,660**	**58,262**	**91,849**
Interest-bearing bank and other borrowings	**–**	**765,515**	**2,469,575**	**7,892,456**	**11,127,546**
	3,472,610	**766,442**	**2,502,235**	**7,950,718**	**14,692,005**
31 December 2019					
Trade and bills payables	1,652,322	–	–	–	1,652,322
Other payables and accruals	594,202	–	–	–	594,202
Due to related companies	631,642	–	–	–	631,642
Lease liabilities	–	1,379	36,012	90,938	128,329
Interest-bearing bank and other borrowings	–	923,142	4,363,252	2,728,899	8,015,293
	2,878,166	924,521	4,399,264	2,819,837	11,021,788

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, trade payables, other payables and accruals, amounts due to related companies, lease liabilities and interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the years were as follows:

	2020 RMB'000	2019 RMB'000
Trade and bills payables	1,714,898	1,652,322
Other payables and accruals (note 28)	2,571,598	1,109,077
Due to related companies (note 38)	539,125	631,642
Lease liabilities (note 15(b))	86,795	116,664
Interest-bearing bank and other borrowings (note 30)	8,745,368	6,766,257
Less: Cash and cash equivalents	(3,365,194)	(1,073,499)
Net debt	10,292,590	9,202,463
Equity attributable to owners of the parent	2,279,483	860,030
Capital and net debt	12,572,073	10,062,493
Gearing ratio	82%	91%

42. EVENT AFTER THE REPORTING PERIOD

On 22 January 2021, the Company issued senior notes with a principal amount of US$185,000,000, which are due in 2022. The senior notes bear interest at 12.75% per annum and the interest is payable annually in arrears. The maturity date of the senior notes is 21 January 2022. At any time prior to maturity, the Company may at its option redeem the senior notes at a predetermined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**51,363**	51,363
Total non-current assets	**51,363**	51,363
CURRENT ASSETS		
Cash and cash equivalents	**44,327**	–
Due from subsidiaries	**1,013,771**	11
Total current assets	**1,058,098**	11
CURRENT LIABILITIES		
Other payables and accruals	**3,069**	–
Due to subsidiaries	**342**	342
Total current liabilities	**3,411**	342
NET CURRENT ASSETS/(LIABILITIES)	**1,054,687**	(331)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,106,050**	51,032
Net assets	**1,106,050**	51,032
EQUITY		
Share capital	**14**	11
Reserves (note)	**1,106,036**	51,021
Total equity	**1,106,050**	51,032

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	–	–	–	–
Capital contribution by the then equity holders of subsidiaries	–	51,021	–	51,021
Balance at 1 January 2019 and 31 December 2018	–	51,021	–	51,021
Total comprehensive income for the year	–	–	(8,319)	(8,319)
Issuance of new shares	1,063,334	–	–	1,063,337
Balance at 31 December 2020	1,063,334	51,021	(8,319)	1,106,036

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

1 KEY DATA OF INCOME STATEMENT

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
REVENUE	1,201,102	6,847,436	7,535,159	**8,190,576**
Cost of sales	(829,815)	(3,321,645)	(4,464,234)	**(6,396,196)**
GROSS PROFIT	371,287	3,525,791	3,070,925	**1,794,380**
Finance income	9,712	15,884	15,804	**17,313**
Other income and gains	5,285	7,546	11,242	**8,320**
Selling and distribution expenses	(78,482)	(161,220)	(213,653)	**(240,058)**
Administrative expenses	(130,918)	(241,341)	(250,741)	**(277,508)**
Impairment losses on financial assets	(1,575)	(1,152)	(390)	**950**
Other expenses	(1,507)	(3,259)	(3,159)	**(7,181)**
Fair value gains on investment properties	254,227	159,818	175,812	**102,537**
Fair value gains on financial assets at fair value through profit or loss	4,166	2,557	1,883	**368**
Finance costs	(220,063)	(281,311)	(261,734)	**(301,971)**
Share of profits and losses of:				
Joint ventures	5,730	(6,206)	15,753	**160,965**
Associates	(80)	(3,965)	(8,237)	**73,933**
PROFIT BEFORE TAX	217,782	3,013,142	2,553,505	**1,332,048**
Income tax expense	(183,204)	(2,340,234)	(1,876,616)	**(446,886)**
PROFIT FOR THE YEAR	34,578	672,908	676,889	**885,162**
Profit attributable to:				
Owners of the parent	49,971	154,553	219,532	**356,064**
Non-controlling interests	(15,393)	518,355	457,357	**529,098**

2 KEY FINANCIAL POSITION DATA

	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
TOTAL NON-CURRENT ASSETS	2,973,031	3,571,218	4,104,257	**5,855,807**
TOTAL CURRENT ASSETS	12,137,591	16,316,794	20,776,740	**24,665,806**
TOTAL ASSETS	15,110,622	19,888,012	24,880,997	**30,521,613**
TOTAL NON-CURRENT LIABILITIES	3,074,823	4,664,361	2,768,878	**6,631,981**
TOTAL CURRENT LIABILITIES	11,397,996	13,408,873	19,349,447	**17,607,063**
TOTAL LIABILITIES	14,472,819	18,073,234	22,118,325	**24,239,044**
Total equity attributable to the Group	637,803	1,814,778	2,762,672	**6,282,569**
Equity attributable to owners of the parent	627,694	614,091	860,030	**2,279,497**
Non-controlling interests	10,109	1,200,687	1,902,642	**4,003,072**

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