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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)

於2022年到期的185百萬美元12.75厘優先票據
(「票據」，股份代號：40553)

刊發發售備忘錄

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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，2021年1月25日

於本公告日期，董事會包括三名執行董事，即朱靜女士、盛劍靜女士及楊佔東先生；兩名非執行董事，即林勁峰先生及林朝虹女士；及三名獨立非執行董事，即郭少牧先生、歐陽寶豐先生及周喆人先生。

*本公告可於聯交所網站**www.hkexnews.hk**及本公司網站**www.sunkwan.com.cn**查閱。*

IMPORTANT NOTICE

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Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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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$185,000,000
12.75% Senior Notes due 2022
Issue Price: 99.322%

Our 12.75% Senior Notes due 2022 (the "Notes") will bear interest from and including January 22, 2021 at 12.75% per annum payable in arrears on July 22, 2021 and January 21, 2022. The Notes will mature on January 21, 2022.

The 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 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 January 21, 2022, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium (as set out in the section entitled "Description of the 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 January 21, 2022, we may redeem up to 35% of the Notes, at a redemption price of 112.75% of the principal amount of the 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 Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the 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 Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees."

For a more detailed description of the Notes, see the section entitled "Description of the Notes" beginning on page 162.

Investing in the Notes involves risks. Furthermore, investors should be aware that the 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 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 Notes. See the section entitled "Risk Factors" beginning on page 12 and particularly pages 40-49 for risks relating to the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.

Application will be made to The Stock Exchange of Hong Kong Limited (the "SEHK" or "Hong Kong Stock Exchange") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors**: The Company confirms that the Notes are intended for purchase by Professional Investors only and will be listed on The Hong Kong Stock Exchange Limited on that basis. Accordingly, the Company confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

SEHK has not reviewed the contents of this offering memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering memorandum to Professional Investors only have been reproduced in this offering memorandum. Listing of the Notes on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or quality of disclosure in this offering memorandum. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

This offering memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on SEHK for the purpose of giving information with regard to the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any). 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 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 Notes are being offered and sold only 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 Notes will be made on or about January 22, 2021 through the book-entry facilities of the Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Haitong International | **CMB International** | **Guotai Junan International**

Joint Bookrunners and Joint Lead Managers

Admiralty Harbour | **AMTD** | **Central Wealth Securities Investment Limited** | **China CITIC Bank International** | **Everbright Securities International** | **CRIC Securities** | **Valuable Capital Limited** | **Zhongrong PT Securities Limited**

The date of this offering memorandum is January 14, 2021

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

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.

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

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

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

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

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

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

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

No representation or warranty, express or implied, is made by Haitong International Securities Company Limited, CMB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Admiralty Harbour Capital Limited, AMTD Global Markets Limited, Central Wealth Securities Investment Limited, China CITIC Bank International Limited, China Everbright Securities (HK) Limited, CRIC Securities Company Limited, Valuable Capital Limited and Zhongrong PT Securities Limited (the "Initial Purchasers"), Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (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.

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

The 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 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 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 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 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 Notes.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group," "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 RMB7.0622 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 April 30, 2020, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7514 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 April 30, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all.

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 "2017," "2018" and "2019" in this offering memorandum are to our financial years ended December 31, 2017, 2018 and 2019, respectively.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.001, 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 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 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 "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 July 31, 2020, our residential properties were located in 14 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 July 31, 2020, we had investment interests in a commercial property portfolio of seven projects under various stages of development, including six

projects developed by our subsidiaries and one project developed by our joint venture, and all of which were located in Shanghai. These projects included three completed office buildings, two completed commercial district shopping plazas and two mixed-use commercial property projects under development or held for future development with a total GFA attributable to us of 267,634 sq.m.

Since our inception in Shanghai in 2010, we have been actively seeking suitable property development opportunities to ensure sustainable growth. As of July 31, 2020, we had investment interests in a property portfolio of 49 projects with a total land bank of approximately 4.1 million sq.m. and an aggregate GFA attributable to us of approximately 3.0 million sq.m., of which 33 were developed by us, and 16 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 0.3 million sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 1.6 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.4 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 16,591 sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 0.7 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. as of July 31, 2020.

With our high-quality property products, operational efficiency, sound development strategies, professional management team and industry recognized brand image, we experienced business expansion in 2017, 2018, 2019 and the four months ended April 30, 2020. We had investment interests in 23, 36, 43 and 49 property projects at various stages of development across five, 11, 14 and 14 cities in China as of December 31, 2017, 2018 and 2019 and July 31, 2020, respectively. Our revenue amounted to RMB1,201.1 million, RMB6,847.4 million and RMB7,535.2 million (US$1,067.0 million) in 2017, 2018 and 2019, respectively, increasing at a CAGR of 150.5%. Our revenue remained relatively stable at RMB1,151.8 million in the four months ended April 30, 2019 and RMB1,148.5 million (US$162.6 million) in the same period in 2020. Our profit for the year amounted to RMB34.6 million, RMB672.9 million and RMB676.9 million (US$95.8 million) in 2017, 2018 and 2019, respectively, increasing at a CAGR of 342.3%. Our profit for the period increased by 126.0% from RMB70.1 million in the four months ended April 30, 2019 to RMB158.4 million (US$22.4 million) in the same period in 2020.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our continued success and distinguish us from our competitors:

- a growing property developer originated in Shanghai with a focus in the Yangtze River Delta Economic Region;
- quality land bank acquired through diversified channels in regions with growth potential to fuel our future development;
- well-rounded development and operational capabilities with standardized property development procedures to facilitate efficient operation;
- an established track record and reputation in developing customer-oriented high-quality residential properties;
- development of commercial properties generating long-cycle profitability and sustainable growth; and
- visionary, professional, experienced management team and highly motivated employees.

STRATEGIES

We strive to become a leading residential real estate developer in the PRC through steady business development. To achieve our goal, we intend to pursue the following strategies:

- continue to further penetrate existing markets and expand into new regions by proactively executing our regional development strategy;
- continue to enhance competitiveness of our customer-oriented product offerings with high quality;
- continue to increase operational efficiency and optimize costs structure; and
- continue to attract, retain and motivate skilled and talented employees.

RECENT DEVELOPMENTS

Land Acquisition

Subsequent to April 30, 2020, we have acquired the following major projects. The following table sets forth certain information regarding these projects:

Project names	Location	The Group's equity interest	Property Types	Planned Total GFA	Attributable GFA
				(sq.m.)	(sq.m.)
Foshan Mindcloud	Foshan, Guangdong	100.0%	Residential, Commercial	34,477.4	34,477.4
Hangzhou Mindcloud	Hangzhou, Zhejiang	52.0%	Residential	117,387.6	61,041.6
Suzhou Season	Suzhou, Jiangsu	35.0%	Residential	125,527.0	43,934.5
Wuhu Season	Wuhu, Anhui	49.0%	Residential, Commercial	185,414.1	90,852.9
Hefei Mindcloud	Hefei, Anhui	100.0%	Residential	110,034.9	110,034.9
Fuyang Baolong Village	Fuyang, Anhui	50.0%	Residential, Commercial	80,456.6	40,228.3
Dongyang Mindcloud	Jinhua, Zhejiang	33.2%	Residential, Commercial	99,830.0	33,093.7
Fuyang Zhengwu#1	Fuyang, Anhui	51.0%	Residential, Commercial	210,995.0	107,607.5
Foshan Sunkwan Lakeside Mansion	Foshan, Guangdong	100.0%	Residential, Commercial	132,285.3	132,285.3
Ningbo Crystal Seasons	Ningbo, Zhejiang	65.0%	Residential	97,075.0	63,098.6
Shaoxing Shangyu Parcel	Shaoxing, Zhejiang	100.0%	Residential	78,125.0	78,125.0
Nanjing Xixia Parcel G93	Nanjing, Jiangsu	100.0%	Residential	52,196.0	52,196.1
Shangrao Parcel 170	Shangrao, Jiangxi	100.0%	Residential	114,200.0	114,200.0
Suzhou Parcel 530	Suzhou, Anhui	100.0%	Residential, Commercial	131,211.0	131,211.0
Kunshan Parcel 18	Suzhou, Jiangsu	100.0%	Residential	170,752.0	170,752.0
Wuzhen Parcel B4	Jiaxing, Zhejiang	30.0%	Residential, Commercial	98,755.0	29,626.5
Henan Xinyang Parcel 1	Xinyang, Henan	70.0%	Residential, Commercial	210,700.0	147,490.0
Henan Xinyang Parcel 2	Xinyang, Henan	70.0%	Residential, Commercial	81,800.0	57,260.0
Henan Xinyang Parcel 6	Xinyang, Henan	70.0%	Residential, Commercial	121,000.0	84,700.0
Total				2,252,221.9	1,497,515.2

The Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed with World Health Organization, or WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in an adverse impact on the livelihood of the people in and the economy of the PRC and worldwide.

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. Since April 2020. China some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors – Risks Relating to Our Business and Industry — 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."

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 8/F, Tower 5, No. 1399 Xinzhen Road, Minhang District, Shanghai, the PRC. Our place of business in Hong Kong is located at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai. 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 offering memorandum.

THE OFFERING

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 Notes."

Issuer	Sunkwan Properties Group Limited (the "Company").
Notes offered	US$185,000,000 aggregate principal amount of 12.75% Senior Notes due 2022 (the "Notes").
Issue Price	99.322% of the principal amount of the Notes.
Maturity Date	January 21, 2022.
Interest	The Notes will bear interest from and including January 22, 2021 at the rate of 12.75% per annum, payable in arrears.
Interest Payment Dates	July 22, 2021 and January 21, 2022.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such 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 Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees" and "Description of the 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 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 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 Notes — Certain Definitions" (other than subsidiaries organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), will guarantee the 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 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 intends to use the proceeds from this offering for development and acquisition of property projects and for working capital and general corporate purposes.

Optional Redemption..... At any time prior to January 21, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined under "Description of the Notes") 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 21, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 112.75% of the principal amount of the 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.
Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Redemption for Taxation Reason....	Subject to certain exceptions, the Company may redeem the 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 Notes — Redemption for Taxation Reasons."
Covenants.....	The 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 Notes — Certain Covenants."

Transfer Restrictions	The Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.
Clearance and Settlement	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants, including Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about January 22, 2021 which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5". You should note that initial trading of the Notes may be affected by the T+5 settlement.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum.
Trustee	Citicorp International Limited.
Paying and Transfer Agent and Registrar	Citibank, N.A., London Branch.
Governing Law	The 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 Notes, see "Risk Factors."

Security Codes	**ISIN**	**Common Code**
	XS2157244174	215724417

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 2017, 2018 and 2019 and the four months ended April 30, 2020 and the summary consolidated statement of financial position data as of December 31, 2017, 2018 and 2019 and April 30, 2020 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020 and as of such dates, 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 the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA

	Year ended December 31,				Four months ended April 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	USD'000	RMB'000	RMB'000	USD'000
				(Unaudited)	(Unaudited)		(Unaudited)
REVENUE	1,201,102	6,847,436	7,535,159	1,066,970	1,151,843	1,148,500	162,626
Cost of sales	(829,815)	(3,321,645)	(4,464,234)	(632,131)	(578,609)	(555,809)	(78,702)
GROSS PROFIT	371,287	3,525,791	3,070,925	434,840	573,234	592,691	83,924
Finance income	9,712	15,884	15,804	2,238	3,061	5,284	748
Other income and gains	5,285	7,546	11,242	1,592	1,148	1,560	221
Selling and distribution expenses	(78,482)	(161,220)	(213,653)	(30,253)	(50,831)	(52,036)	(7,368)
Administrative expenses	(130,918)	(241,341)	(250,741)	(35,505)	(80,446)	(93,261)	(13,206)
Impairment losses on financial assets	(1,575)	(1,152)	(390)	(55)	(131)	(605)	(86)
Other expenses	(1,507)	(3,259)	(3,159)	(447)	(272)	(294)	(42)
Fair value gains on investment properties	254,227	159,818	175,812	24,895	53,012	12,500	1,770
Fair value gains on financial assets at fair value through profit or loss	4,166	2,557	1,883	267	1,282	280	40
Finance costs	(220,063)	(281,311)	(261,734)	(37,061)	(70,549)	(75,454)	(10,684)
Share of profits and losses of:							
Joint ventures	5,730	(6,206)	15,753	2,231	6,789	1,577	223
Associates	(80)	(3,965)	(8,237)	(1,166)	(2,809)	(2,724)	(386)
PROFIT BEFORE TAX	217,782	3,013,142	2,553,505	361,574	433,488	389,518	55,155
Income tax expense	(183,204)	(2,340,234)	(1,876,616)	(265,727)	(363,405)	(231,103)	(32,724)
PROFIT FOR THE YEAR/PERIOD	34,578	672,908	676,889	95,847	70,083	158,415	22,431
Profit attributable to:							
Owners of the parent	49,971	154,553	219,532	31,085	(17,608)	20,974	2,970
Non-controlling interests	(15,393)	518,355	457,357	64,761	87,691	137,441	19,461
	34,578	672,908	676,889	95,847	70,083	158,415	22,431
Other financial data (unaudited)							
EBITDA[(1)]	798,424	3,883,508	3,575,040	506,222	729,444	710,542	100,612
EBITDA margin[(2)]	66.5%	56.7%	47.4%	47.4%	63.3%	61.9%	61.9%

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. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under IFRS to our definition of EBITDA. 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 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,				As of April 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	USD'000	RMB'000	USD'000
				(Unaudited)		(Unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment	171,768	169,395	150,155	21,262	147,617	20,902
Right-of-use assets	1,050	6,688	4,472	633	2,696	382
Investment properties	2,582,000	2,742,100	2,918,400	413,242	2,930,900	415,012
Intangible assets	2,554	2,326	1,966	278	2,423	343
Investments in joint ventures	29,733	50,128	94,333	13,357	163,203	23,109
Investments in associates	12,170	107,004	142,283	20,147	254,449	36,030
Deferred tax assets	173,756	493,577	792,648	112,238	778,317	110,209
Total non-current assets	2,973,031	3,571,218	4,104,257	581,158	4,279,605	605,988
CURRENT ASSETS						
Properties under development	6,486,066	9,317,739	10,859,280	1,537,662	11,675,614	1,653,255
Completed properties held for sale	70,667	1,046,885	1,051,766	148,929	506,810	71,764
Trade receivables	18,837	28,906	46,661	6,607	35,165	4,979
Due from related companies	1,614,623	1,279,867	1,997,139	282,793	1,778,601	251,848
Due from a shareholder	8,668	8,747	–	–	–	–
Contract cost assets	39,864	24,121	52,438	7,425	55,266	7,826
Prepayments, other receivables and other assets	2,699,235	2,978,468	3,056,757	432,834	3,194,212	452,297
Tax recoverable	291,230	25,033	172,866	24,478	184,778	26,164
Financial assets at fair value through profit or loss	79,761	62,948	55,528	7,863	52,482	7,431
Restricted cash	320,474	1,014,133	2,360,661	334,267	1,773,647	251,147
Pledged deposits	1,904	75,278	50,145	7,100	73,985	10,476
Cash and cash equivalents	506,262	454,669	1,073,499	152,006	1,585,384	224,489
Total current assets	12,137,591	16,316,794	20,776,740	2,941,964	20,915,944	2,961,675
CURRENT LIABILITIES						
Trade and bills payables	942,293	1,110,134	1,652,322	233,967	1,575,650	223,110
Other payables and accruals	202,087	1,139,898	1,109,077	157,044	1,121,735	158,836
Contract liabilities	7,752,566	5,021,651	8,329,464	1,179,443	9,179,494	1,299,807
Due to related companies	5,930	928,749	631,642	89,440	1,173,746	166,201
Interest-bearing bank and other borrowings	2,325,787	3,034,834	4,243,248	600,839	2,499,042	353,862
Tax payables	169,031	2,169,891	3,349,387	474,270	3,356,048	475,213
Lease liabilities	302	3,716	34,307	4,858	33,495	4,743
Total current liabilities	11,397,996	13,408,873	19,349,447	2,739,861	18,939,210	2,681,772
NET CURRENT ASSETS	739,595	2,907,921	1,427,293	202,103	1,976,734	279,903
TOTAL ASSETS LESS CURRENT LIABILITIES	3,712,626	6,479,139	5,531,550	783,262	6,256,339	885,891
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	2,871,020	4,424,079	2,523,009	357,255	3,089,987	437,539
Deferred tax liabilities	107,410	130,276	163,512	23,153	162,869	23,062
Lease liabilities	96,393	110,006	82,357	11,662	82,396	11,667
Total non-current liabilities	3,074,823	4,664,361	2,768,878	392,070	3,335,252	472,268
NET ASSETS	637,803	1,814,778	2,762,672	391,191	2,921,087	413,623
EQUITY						
Equity attributable to owners of the parent						
Share capital	31	15	11	2	11	2
Reserves	627,694	614,076	860,019	121,778	880,993	124,748
	627,694	614,091	860,030	121,779	881,004	124,749
Non-controlling interests	10,109	1,200,687	1,902,642	269,412	2,040,083	288,874
TOTAL EQUITY	637,803	1,814,778	2,762,672	391,191	2,921,087	413,623

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 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 July 31, 2020, we had investment interests in a total of 49 property projects located in 14 cities in eight provinces and municipalities across three core economic regions in China with an aggregate site area of approximately 1.8 million sq.m., a total land bank of approximately 4.1 million sq.m. and an aggregate GFA attributable to us of approximately 3.0 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 July 31, 2020, nearly 70% of the aggregate GFA attributable to us was located in the Yangtze River Delta Economic Region, and over a third of our property projects and over 14% of the aggregate GFA attributable to us were located in Shanghai. In 2017, 2018 and 2019 and the four months ended April 30, 2020, approximately 100.0%, 100.0%, 76.6% and 97.4% of our revenue from sales of properties were derived from our property projects in Shanghai, respectively.

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.

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. In 2017, 2018 and 2019 and the four months ended April 30, 2020, we 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.

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 2017, 2018 and 2019 and the four months ended April 30, 2020, out of the ten project companies for which we entered into voting right arrangements with our business partners, three of them recorded revenue, namely Sheshan Country Club, Shanghai Kunhui Property Co., Ltd. ("Shanghai Kunhui") and Changshu Gongzhu. The aggregate revenue from these three project companies amounted to RMB852.2 million, RMB6,770.4 million, RMB6,497.5 million (US$920.0 million) and RMB1,094.8 million (US$155.0 million) in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively, accounting for 71.0%, 98.9%, 86.2% and 95.3%, respectively, of our total revenue during the respective period. We incurred a net loss attributable to non-controlling interests of RMB15.4 million in 2017. We later recorded a net profit attributable to non-controlling interests of RMB518.4 million, RMB457.4 million (US$64.8 million) and RMB137.4 million (US$19.5 million) in 2018 and 2019 and the four months ended April 30, 2020, respectively, accounting for 77.0%, 67.6% and 86.8%, respectively, of our total profit for the period during the respective 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. 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. This kind of restriction might limit our potential opportunities to seek external financing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness — Interest-bearing Bank and Other Borrowings."

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.

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 2017, 2018 and 2019 and the four months ended April 30, 2020, we generated 97.3%, 99.1%, 98.9% and 97.9% 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, 2017, 2018 and 2019 and April 30, 2020, our total interest-bearing bank and other borrowings amounted to RMB5,196.8 million, RMB7,458.9 million, RMB6,766.3 million (US$958.1 million) and RMB5,589.0 million (US$791.4 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. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness."

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 2017, 2018 and 2019 and the four months ended April 30, 2020, 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 April 30, 2020, we recorded amounts due from related companies of RMB1,778.6 million (US$251.8 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, 2017, 2018 and 2019 and April 30, 2020, our investments in joint ventures and associates amounted to RMB41.9 million, RMB157.1 million, RMB236.6 million (US$33.5 million) and RMB417.7 million (US$59.1 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 2017, 2018 and 2019 and the four months ended April 30, 2020. As of December 31, 2017, 2018 and 2019 and April 30, 2020, our investments in joint ventures and associates amounted to RMB41.9 million, RMB157.1 million, RMB236.6 million (US$33.5 million) and RMB417.7 million (US$59.1 million), respectively. As of the same dates, the total amounts due from joint ventures and associates were RMB819.4 million, RMB832.8 million, RMB1,736.2 million (US$245.8 million) and RMB1,771.6 million (US$250.9 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 RMB819.4 million, RMB832.8 million, RMB1,736.2 million (US$245.8 million) and RMB1,771.6 million (US$250.9 million) as of December 31, 2017, 2018, 2019 and April 30, 2020. 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 RMB1,614.5 million, RMB2,560.0 million, RMB2,483.0 million (US$351.6 million) and RMB2,535.2 million (US$359.0 million) as of December 31, 2017, 2018 and 2019 and April 30, 2020, 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 and amounts due from non-controlling shareholders of the subsidiaries, 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) an investment in a wealth management product for treasury management purposes, which was creased after 2017, (ii) an investment in a fund focusing on the real estate business in China throughout 2017, 2018 and 2019 and the four months ended April 30, 2020, 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 RMB4.2 million, RMB2.6 million, RMB1.9 million (US$0.3 million) and RMB0.3 million (US$0.04 million) in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively, and the fair value of such financial assets was in an amount of RMB79.8 million, RMB62.9 million, RMB55.5 million (US$7.9 million) and RMB52.5 million (US$7.4 million) as of December 31, 2017, 2018 and 2019 and April 30, 2020, 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 2017 and 2018, which may limit our liquidity and business expansion capabilities.

We recorded negative net cash flow from operating activities of RMB38.5 million and RMB3,806.7 million in 2017 and 2018, primarily as a result of significant cash used in operations due to our continued increase in properties development activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash Flows Analysis" for details. 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 revenue increased significantly by 470.1% from RMB1,201.1 million in 2017 to RMB6,847.4 million in 2018, and further by 10.0% to RMB7,535.2 million (US$1,067.0 million) in 2019. Our revenue remained relatively stable at RMB1,151.8 million in the four months ended April 30, 2019 and RMB1,148.5 million (US$162.6 million) in the same period in 2020. In 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020, our gross profit was RMB371.3 million, RMB3,525.8 million, RMB3,070.9 million, RMB573.2 million (US$81.2 million) and RMB592.7 million (US$83.9 million), respectively, and our gross profit margin was 30.9%, 51.5%, 40.8%, 49.8% and 51.6% in the same periods, respectively. Nevertheless, 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, we expect that our gross profit and our profit before tax for the year ending December 31, 2020 will be lower than that for the year ended December 31, 2019.

Furthermore, we recorded a relatively higher gross profit margin of 51.5%, 40.8%, 49.8% and 51.6% in 2018, 2019 and the four months ended April 30, 2019 and 2020, respectively. Such higher gross profit margin 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, including revenue and profit margin, in the future will remain at a level comparable to those recorded in 2017, 2018 and 2019 and the four months ended April 30, 2020. 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 level comparable to that recorded in 2017, 2018 and 2019 and the four months ended April 30, 2020, 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.

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. The weighted average effective interest rate on our interest-bearing bank and other borrowings was 7.4%, 9.3%,

9.4% and 10.3% as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively. Our interest on interest-bearing bank and other borrowings incurred in 2017, 2018 and 2019 and the four months ended April 30, 2020 were RMB362.9 million, RMB648.1 million, RMB763.9 million (US$108.2 million) and RMB232.6 million (US$32.9 million), respectively. In 2017, 2018, 2019 and the four months ended April 30, 2020, our finance costs were RMB220.1 million, RMB281.3 million, RMB261.7 million (US$37.1 million) and RMB75.5 million (US$10.7 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 fair value gains on our investment properties in 2017, 2018 and 2019 and the four months ended April 30, 2020 were RMB254.2 million, RMB159.8 million, RMB175.8 million (US$24.9 million) and RMB12.5 million (US$1.8 million), respectively. We recorded profit for the period of RMB34.6 million, RMB672.9 million, RMB676.9 million (US$95.8 million) and RMB158.4 million (US$22.4 million) in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. However, in 2017, we would have incurred losses without including fair value gains on investment properties in the same period.

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.

There were three loss-making project companies, which individually recorded losses of more than RMB15.0 million, in 2017, 2018 and 2019, respectively, and only one remaining in the four months ended April 30, 2020 due to properties under development in their property project(s). Losses from these project companies in aggregate amounted to RMB176.0 million, RMB127.5 million, RMB106.5 million (US$15.1 million) and RMB18.3 million (US$2.6 million) in 2017, 2018 and 2019 and the four months ended April 30, 2020,

respectively, and accounted for 99.9%, 77.7%, 58.7% and 35.9% of our total losses from all loss-making project companies in the same period, respectively. Such losses were 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 RMB44.3 million, RMB58.5 million, RMB37.9 million (US$5.4 million) and RMB4.7 million (US$0.7 million) in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. In 2019, we had impairment losses of RMB101.9 million (US$14.4 million) 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. We recorded contract liabilities of RMB7,752.6 million, RMB5,021.7 million, RMB8,329.5 million (US$1,179.4 million) and RMB9,179.5 million (US$1,299.8 million) as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively.

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 2017, 2018 and 2019 and the four months ended April 30, 2020, 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 2017, 2018 and 2019 and the four months ended April 30, 2020, 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. In 2017, 2018 and 2019 and the four months ended April 30, 2020, two of our projects were found with constructed GFA exceeding the permitted GFA as stipulated in the relevant approvals or permits. The GFA in excess of these projects amounted to 1,575 sq.m. We were subject to monetary penalties of RMB99,600 in connection with such excess, which had been fully settled as of the date of this offering memorandum. 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 51.6%, 33.9%, 34.3% and 47.0% of our total purchases in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. Purchases from our largest supplier in 2017, 2018 and 2019 and the four months ended April 30, 2020 accounted for approximately 19.0%, 11.2%, 8.9% and 19.0% 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 2017, 2018 and 2019 and the four months ended April 30, 2020, 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. In 2017, 2018 and 2019 and the four months ended April 30, 2020, our management estimated appreciation of land value, based on our understanding and interpretation of the relevant tax rules and regulations, being the revenue from sales of properties less deductible expenditure including lease charges for land use rights, construction and installation costs and other costs and expenses, to be RMB224.4 million, RMB4,332.5 million, RMB3,414.1 million (US$483.4 million) and RMB197.3 million (US$27.9 million), respectively, and recorded RMB91.6 million, RMB1,671.7 million, RMB1,275.6 million (US$180.6 million) and RMB81.3 million (US$11.5 million) as LAT expenses in the same periods, respectively.

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 RMB268.1 million, RMB377.6 million, RMB415.3 million (US$58.8 million) and RMB492.5 million (US$69.7 million) as of December 31, 2017, 2018 and 2019 and April 30, 2020, 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, 2017, 2018 and 2019 and April 30, 2020, we had deferred tax assets of RMB173.8 million, RMB493.6 million, RMB792.6 million (US$112.2 million) and RMB778.3 million (US$110.2 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, 2017, 2018 and 2019 and April 30, 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB2,606.9 million, RMB3,611.2 million, RMB7,570.3 million (US$1,071.9 million) and RMB6,567.8 million (US$930.0 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, 2017, 2018 and 2019 and April 30, 2020, we had investment properties amounting to RMB2,582.0 million, RMB2,742.1 million, RMB2,918.4 million (US$413.2 million) and RMB2,930.9 million (US$415.0 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 2017, 2018 and 2019 and the four months ended April 30, 2020, 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 2017, 2018 and 2019 and the four months ended April 30, 2020, 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 July 31, 2020, we had civil air defense areas with an aggregate GFA of approximately 223,642 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. For example, since late 2019, a novel strain of coronavirus, or COVID-19, was reported to have spread throughout China and globally. The Chinese central government and local governments have introduced various temporary measures to contain the COVID-19 pandemic, such as extension of the Lunar New Year holiday and travel restrictions, which could impact national and local economy to different degrees. 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.

Furthermore, the real estate market in China, particularly Wuhan and other cities in Hubei province, may be materially and adversely affected. As of July 31, 2020, we had two property projects under development in Hubei province. One was located in Wuhan and was developed by our associate. The other was located in Tianmen and was developed by our subsidiary. As of July 31, 2020, these two property projects in aggregate accounted for approximately 4% of the total GFA attributable to us. As of April 30, 2020, these two property projects in aggregate accounted for approximately 5% of our total assets. We had not delivered these two property projects, and therefore, no revenue was recognized from them as of the date of this offering memorandum. The construction and pre-sale of the two property projects in Hubei province was once temporarily suspended due to quarantine.

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.

Changes in accounting policies and standards applicable to our business, such as the adoption of IFRS 9, IFRS 15 and IFRS 16, may have a material impact on our results of operation and financial position.

Accounting policies and standards applicable to our business may change or be amended from time to time. Any changes in these accounting policies and standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities, which could have material effects on our results of operations and financial position. In addition, in applying these accounting policies and standards, we are required to make judgments, estimates and/or assumptions with respect to our revenue, expenses, assets, liabilities and other factors that we consider to be relevant.

For example, in preparing the financial statements of our Group, we have adopted, among others, IFRS 9, IFRS 15 and IFRS 16 and applied them consistently throughout 2017, 2018 and 2019 and the four months ended April 30, 2020. The International Accounting Standards Board may issue new and revised policies, standards and interpretations in the future. Interpretation on the application of the IFRS will also continue to develop. These factors may require us to adopt new accounting policies and standards from time to time. The adoption of new accounting policies and standards or new IFRS in the future may have a material impact on our results of operations and financial position.

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.

The global financial markets, and therefore PRC markets, have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations.

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. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global 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 NOTES, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

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

We are a holding company with no material operations. We conduct 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 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 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.

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 Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, 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 Notes. As of April 30, 2020, our Non-Guarantor Subsidiaries had total debt in the amount of RMB5,704.9 million (US$807.8 million), capital commitments in the amount of RMB1,458.3 million (US$206.5 million) and contingent liabilities arising from guarantees in the amount of RMB9,177.3 million (US$1,299.5 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company 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 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 Notes, a substantial amount of indebtedness. As of April 30, 2020, our indebtedness (including current and noncurrent interest-bearing bank and

other borrowings, and lease liabilities) amounted to RMB5,704.9 million (US$807.8 million). Subsequent to April 30, 2020, we also incurred other indebtedness for our general business operation. As of April 30, 2020, we had bank and other borrowings amounting to RMB2,499.0 million (US$353.9 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 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 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 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 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 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 Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with 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 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 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 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 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.

The Notes are subject to optional redemption by us.

As set forth in "Description of the Notes — Optional Redemption," the 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 Notes. During any period when we may elect to redeem the Notes, the market value of those 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 Notes when its cost of borrowing is lower than the interest rate on the 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 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 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 Notes, we may, without satisfying the Fixed Charge Coverage Ratio, pay dividends on our common stock announced by us in 2021 with respect to the fiscal year ended December 31, 2020 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, 2020. 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 Notes.

Interest payable by us to our foreign investors and gain on the sale of our 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 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 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 Notes, or any gains realized from the transfer of 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 Notes are providing loans within the PRC, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the 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 Notes who is an entity or individual located outside of the PRC resells the 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 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 Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

In the event we are treated as a PRC "resident enterprise", 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 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 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 Notes upon a Change of Control Triggering Event.

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

In addition, the definition of a Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. 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 Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

The insolvency laws of the Cayman Islands, the British Virgin Islands 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 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 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 Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange.

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

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

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 Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes, 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 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 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 Notes."

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

Although application will be made to the SEHK for listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum, we cannot assure you that we will obtain or be able to maintain a listing on the SEHK, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the 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 Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

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

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with 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 Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the 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 Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the 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 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 Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from 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 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 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 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 Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 15.0% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See "Description of the 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 Cayman Islands, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

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

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

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

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

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

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

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

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary 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 Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

USE OF PROCEEDS

The gross proceeds from this offering, before deducting the underwriting discounts and commissions and other expenses payable in connection with this offering, will be approximately US$183.7 million, which we plan to use for development and acquisition of property projects and for working capital and general corporate purposes.

Pending application of the net proceeds of this offering, we intend to invest such net proceeds in "Temporary Cash Investments" as defined in "Description of the Notes."

EXCHANGE RATE INFORMATION

CHINA

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

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

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
		(RMB per US$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
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
July	6.9744	7.0041	7.0703	6.9744
August	6.8647	6.9310	6.9799	6.8647
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5750	6.6044	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208
2021				
January (through January 8, 2021)	6.4750	6.4656	6.4760	6.4550

Source: Federal Reserve H.10 Statistical Release

Note:

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

HONG KONG

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

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

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
		(HK per US$1.00)		
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7927	7.7500
July	7.7500	7.7509	7.7538	7.7499
August	7.7502	7.7502	7.7506	7.7498
September	7.7500	7.7500	7.7504	7.7499
October	7.7548	7.7503	7.7548	7.7498
November	7.7508	7.7526	7.7552	7.7505
December	7.7534	7.7519	7.7539	7.7505
2021				
January (through January 8, 2021)	7.7555	7.7538	7.7555	7.7532

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash and cash equivalents, short-term debt and capitalization as of April 30, 2020 on an actual basis and on an adjusted basis after giving effect to the offering of the Notes before deducting the underwriting discounts and commissions and other expenses payable in connection with this offering. The following table should be read in conjunction with the selected consolidated financial information and the audited consolidated financial statements and related notes included in the offering memorandum.

	As of April 30, 2020[1],			
	Actual		As adjusted	
	(RMB)	(US$)	(RMB)	(US$)
		(Unaudited)	(Unaudited)	(Unaudited)
		(In thousands)		
Cash and cash equivalents[2]	1,585,384	224,489	2,883,033	408,235
Short-term borrowings[3]				
Interest-bearing bank and other borrowings – due within one year	2,499,042	353,862	2,499,042	353,862
Notes to be Issued	–	–	1,297,649	183,746
Subtotal of short-term borrowings	2,499,042	353,862	3,796,691	537,608
Long-term borrowings[3]				
Interest-bearing bank and other borrowings – due after one year	3,089,987	437,539	3,089,987	437,539
Total equity	2,921,087	413,623	2,921,087	413,623
Total capitalization[4]	6,011,074	851,162	6,011,074	851,162

Notes:

(1) The translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.0622 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 April 30, 2020.

(2) Cash and cash equivalents exclude restricted cash of RMB1,773.6 million (US$251.1 million) and pledged deposits of RMB74.0 million (US$10.5 million).

(3) Subsequent to April 30, 2020, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. See "Description of Material Indebtedness and Other Obligations." Some of these additional borrowings are not reflected in the table above.

(4) Total capitalization includes total long-term borrowings plus total equity.

Subsequent to April 30, 2020, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. After the completion of this offering, we may incur additional debt, including Renminbi denominated borrowings or other debt securities. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since April 30, 2020.

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 2017, 2018 and 2019 and the four months ended April 30, 2020 and the selected consolidated statement of financial position data as of December 31, 2017, 2018 and 2019 and April 30, 2020 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and for the four months ended April 30, 2020 and as of such dates, 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 the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA

	Year ended December 31,				Four months ended April 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	USD'000	RMB'000	RMB'000	USD'000
				(Unaudited)	(Unaudited)		(Unaudited)
REVENUE	1,201,102	6,847,436	7,535,159	1,066,970	1,151,843	1,148,500	162,626
Cost of sales	(829,815)	(3,321,645)	(4,464,234)	(632,131)	(578,609)	(555,809)	(78,702)
GROSS PROFIT	371,287	3,525,791	3,070,925	434,840	573,234	592,691	83,924
Finance income	9,712	15,884	15,804	2,238	3,061	5,284	748
Other income and gains	5,285	7,546	11,242	1,592	1,148	1,560	221
Selling and distribution expenses	(78,482)	(161,220)	(213,653)	(30,253)	(50,831)	(52,036)	(7,368)
Administrative expenses	(130,918)	(241,341)	(250,741)	(35,505)	(80,446)	(93,261)	(13,206)
Impairment losses on financial assets	(1,575)	(1,152)	(390)	(55)	(131)	(605)	(86)
Other expenses	(1,507)	(3,259)	(3,159)	(447)	(272)	(294)	(42)
Fair value gains on investment properties	254,227	159,818	175,812	24,895	53,012	12,500	1,770
Fair value gains on financial assets at fair value through profit or loss	4,166	2,557	1,883	267	1,282	280	40
Finance costs	(220,063)	(281,311)	(261,734)	(37,061)	(70,549)	(75,454)	(10,684)
Share of profits and losses of:							
Joint ventures	5,730	(6,206)	15,753	2,231	6,789	1,577	223
Associates	(80)	(3,965)	(8,237)	(1,166)	(2,809)	(2,724)	(386)
PROFIT BEFORE TAX	217,782	3,013,142	2,553,505	361,574	433,488	389,518	55,155
Income tax expense	(183,204)	(2,340,234)	(1,876,616)	(265,727)	(363,405)	(231,103)	(32,724)
PROFIT FOR THE YEAR/PERIOD	34,578	672,908	676,889	95,847	70,083	158,415	22,431
Profit attributable to:							
Owners of the parent	49,971	154,553	219,532	31,085	(17,608)	20,974	2,970
Non-controlling interests	(15,393)	518,355	457,357	64,761	87,691	137,441	19,461
	34,578	672,908	676,889	95,847	70,083	158,415	22,431
Other financial data (unaudited)							
EBITDA[(1)]	798,424	3,883,508	3,575,040	506,222	729,444	710,542	100,612
EBITDA margin[(2)]	66.5%	56.7%	47.4%	47.4%	63.3%	61.9%	61.9%

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. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under IFRS to our definition of EBITDA. 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 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,				As of April 30,	
	2017	2018	2019		2020	
	RMB'000	RMB'000	RMB'000	USD'000	RMB'000	USD'000
				(Unaudited)		(Unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment	171,768	169,395	150,155	21,262	147,617	20,902
Right-of-use assets	1,050	6,688	4,472	633	2,696	382
Investment properties	2,582,000	2,742,100	2,918,400	413,242	2,930,900	415,012
Intangible assets	2,554	2,326	1,966	278	2,423	343
Investments in joint ventures	29,733	50,128	94,333	13,357	163,203	23,109
Investments in associates	12,170	107,004	142,283	20,147	254,449	36,030
Deferred tax assets	173,756	493,577	792,648	112,238	778,317	110,209
Total non-current assets	2,973,031	3,571,218	4,104,257	581,158	4,279,605	605,988
CURRENT ASSETS						
Properties under development	6,486,066	9,317,739	10,859,280	1,537,662	11,675,614	1,653,255
Completed properties held for sale	70,667	1,046,885	1,051,766	148,929	506,810	71,764
Trade receivables	18,837	28,906	46,661	6,607	35,165	4,979
Due from related companies	1,614,623	1,279,867	1,997,139	282,793	1,778,601	251,848
Due from a shareholder	8,668	8,747	–	–	–	–
Contract cost assets	39,864	24,121	52,438	7,425	55,266	7,826
Prepayments, other receivables and other assets	2,699,235	2,978,468	3,056,757	432,834	3,194,212	452,297
Tax recoverable	291,230	25,033	172,866	24,478	184,778	26,164
Financial assets at fair value through profit or loss	79,761	62,948	55,528	7,863	52,482	7,431
Restricted cash	320,474	1,014,133	2,360,661	334,267	1,773,647	251,147
Pledged deposits	1,904	75,278	50,145	7,100	73,985	10,476
Cash and cash equivalents	506,262	454,669	1,073,499	152,006	1,585,384	224,489
Total current assets	12,137,591	16,316,794	20,776,740	2,941,964	20,915,944	2,961,675
CURRENT LIABILITIES						
Trade and bills payables	942,293	1,110,134	1,652,322	233,967	1,575,650	223,110
Other payables and accruals	202,087	1,139,898	1,109,077	157,044	1,121,735	158,836
Contract liabilities	7,752,566	5,021,651	8,329,464	1,179,443	9,179,494	1,299,807
Due to related companies	5,930	928,749	631,642	89,440	1,173,746	166,201
Interest-bearing bank and other borrowings	2,325,787	3,034,834	4,243,248	600,839	2,499,042	353,862
Tax payables	169,031	2,169,891	3,349,387	474,270	3,356,048	475,213
Lease liabilities	302	3,716	34,307	4,858	33,495	4,743
Total current liabilities	11,397,996	13,408,873	19,349,447	2,739,861	18,939,210	2,681,772
NET CURRENT ASSETS	739,595	2,907,921	1,427,293	202,103	1,976,734	279,903
TOTAL ASSETS LESS CURRENT LIABILITIES	3,712,626	6,479,139	5,531,550	783,262	6,256,339	885,891
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	2,871,020	4,424,079	2,523,009	357,255	3,089,987	437,539
Deferred tax liabilities	107,410	130,276	163,512	23,153	162,869	23,062
Lease liabilities	96,393	110,006	82,357	11,662	82,396	11,667
Total non-current liabilities	3,074,823	4,664,361	2,768,878	392,070	3,335,252	472,268
NET ASSETS	637,803	1,814,778	2,762,672	391,191	2,921,087	413,623
EQUITY						
Equity attributable to owners of the parent						
Share capital	31	15	11	2	11	2
Reserves	627,694	614,076	860,019	121,778	880,993	124,748
	627,694	614,091	860,030	121,779	881,004	124,749
Non-controlling interests	10,109	1,200,687	1,902,642	269,412	2,040,083	288,874
TOTAL EQUITY	637,803	1,814,778	2,762,672	391,191	2,921,087	413,623

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial statements were prepared in accordance with IFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions.

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.

Since our inception in Shanghai in 2010, we have been actively seeking suitable property development opportunities to ensure sustainable growth. As of July 31, 2020, we had investment interests in a property portfolio of 49 projects with a total land bank of approximately 4.1 million sq.m. and an aggregate GFA attributable to us of approximately 3.0 million sq.m., of which 33 were developed by us, and 16 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 0.3 million sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 2.3 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.4 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 16,591 sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 0.7 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. as of July 31, 2020.

With our high-quality property products, operational efficiency, sound development strategies, professional management team and industry recognized brand image, we experienced business expansion in 2017, 2018, 2019 and the four months ended April 30, 2020. We had investment interests in 23, 36, 43 and 49 property projects at various stages of development across five, 11, 14 and 14 cities in China as of December 31, 2017, 2018 and 2019 and July 31, 2020, respectively. Our revenue amounted to RMB1,201.1 million, RMB6,847.4 million and RMB7,535.2 million (US$1,067.0 million) in 2017, 2018 and 2019, respectively, increasing at a CAGR of 150.5%. Our revenue remained relatively stable at RMB1,151.8 million in the four months ended April 30, 2019 and RMB1,148.5 million (US$162.6 million) in the same period in 2020. Our profit for the year amounted to RMB34.6 million, RMB672.9 million and RMB676.9 million (US$95.8 million) in 2017, 2018 and 2019, respectively, increasing at a CAGR of 342.3%. Our profit for the period increased by 126.0% from RMB70.1 million in the four months ended April 30, 2019 to RMB158.4 million (US$22.4 million) in the same period in 2020.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Economic Conditions and Regulatory Environment in China

The overall economic growth and urbanization in the cities and regions where we operate and intend to enter are expected to continue to impact our business and operating results. The overall economic growth in China and the rate of urbanization will be affected by a number of macroeconomic factors, including but not limited to changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. Such macroeconomic dynamics and policies have in the past affected and will likely continue to affect the supply and demand for properties and property pricing trends in the cities and regions where we operate and intend to operate.

In addition, our business and operating results have been, and will continue to be, significantly affected by governmental policies and regulations in China, in particular those relating to national and regional real estate market. In the past few years, the PRC government implemented a series of measures to control the overheated property market, which aim to discourage speculative investments and increase the supply of affordable residential properties. From time to time, the central and local governments adjust or introduce policies and regulations relating to land grants, pre-sales of properties, bank financing and taxation, planning and zoning, building design and construction, which have significantly impacted the availability and cost of financing for real property developers, including us. In addition, restrictive regulations may affect the availability and cost of financing for potential property purchasers, such as higher minimum down payment requirements, higher mortgage rates provided by commercial banks, restrictions on the number of properties local residents may purchase and increasing taxes on title transfer and property ownership.

Furthermore, our continuing growth depends, to a significant extent, on our ability to expand into other regions and cities. We intend to further expand into cities in the three core economic regions we currently operate, namely the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region, and may enter into other economic areas in the future. We may not have the same level of familiarity with local regulatory environment, economic conditions, contractors, business practices, customs and customer tastes, behavior and preferences. If we cannot successfully leverage our experience or understand the property market in any other cities which we target for expansion, our business, results of operations and financial position will be adversely affected.

Availability and Cost of Land in Strategically Selected Locations

Land use right costs were one of the largest components of our cost of sales for property development in 2017, 2018, 2019 and the four months ended April 30, 2020 and will continue to be a major component in the future. Over the past few years, land premiums in China have generally increased as a result of growing domestic economy and rapid urbanization. Our sustainable business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favorable returns, which in turn, depends on various factors, including the methods of land acquisition, the location of the land parcel, and the competition we face in a specific region. In 2017, 2018, 2019 and the four months ended April 30, 2020, we acquired land for our projects through public tender, auction or listing-for-sale, cooperation with third-party business partners through joint ventures and associates, or acquiring equity interests in companies that possess land use rights. As the economy continues to grow and demand for commodity properties remains relatively strong in China, we expect intensified competition among property developers to intensify. Most of our land parcels are located in prime areas with significant population inflow, including first-, second- and strong third-tier cities which we believe have high growth potential.

In addition, PRC government's land supply policies and implementation measures are likely to further intensify the competition, and consequently, increase the land acquisition costs. In order to participate in the public tender, auction or listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a portion of the actual cost of the relevant land and we are required to settle the land premium within one year after signing the land grant contract in accordance with relevant regulation, which has accelerated the timing of our payment for land acquisition costs and has had a significant impact on our cash flows. It is

generally expected that land premiums will continue to rise in China as the economy continues to grow, which may materially and adversely affect our business and operating results. Nevertheless, we may from time to time acquire land parcels by cooperating with third-party business partners, or through equity interests in companies that possess land use rights. Such land acquisition methods may enable us to leverage the competency of our business partners and reduce our initial capital injection.

Timing of Property Development, Pre-sale and Delivery

The number of property projects that a property developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions, construction costs and the land supply. The development of a property project may take several months or even years before the commencement of pre-sale, depending on the size and difficulty of the project, and subject to terms of the pre-sale contracts, no revenue with respect to such project may be recognized until it is completed and delivered to the customers. Therefore, our cash flows and results of operation vary from period to period, subject to the selling prices and the GFA pre-sold/sold and delivered in the relevant periods. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our projects. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. The relevant pre-sale requirements vary from city to city and pre-sale proceeds from a project are required to be used to finance its development. As a result of the time differences between cost incurred, cash received from pre-sales and revenue recognition, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Contractor Fees, Construction Materials and Labor Cost

Construction costs constitute a substantial portion of our cost of sales, of which, contractor fees and construction materials are the two major components. Construction costs fluctuate as a result of changes in contractor fees, which generally include construction materials that the contractors are responsible for and cost of their construction workers. For certain major construction materials such as steel and cement, whose prices may fluctuate significantly, we and our contractors usually specify the price range within which the total construction contract price will be subject to. As a result, we will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. We can pass the increases in construction material costs to our customers only to the extent that we are able to increase the prices of our properties and therefore bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs. Therefore, the price fluctuation of the contraction materials had affected our cost of sales in 2017, 2018, 2019 and the four months ended April 30, 2020. In addition, our labor cost increased significantly during the three years ended December 31, 2017, 2018 and 2019 and we incurred a relatively higher labor cost in the four months ended April 30, 2020 as compared to the same period in 2019, primarily as a result of our business growth. Although we endeavor to take advantage of increasing economies of scale and to implement cost control measures, we cannot assure you that our cost control efforts will always succeed. If we are unable to successfully maintain our contractor fees, construction materials or labor costs at a reasonable level, or to pass on the increase, if any, to our customers, we cannot sell our properties at a price level sufficient to cover all the increased costs. As a result, we may not be able to achieve a higher margin and our profitability may be adversely impacted as well. 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."

Availability and Cost of Financing

Financing is an important source of funding for property development. In 2017, 2018, 2019 and the four months ended April 30, 2020, we financed 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. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those restricting the ability of property developers to obtain bank financing. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs.

In addition, as of April 30, 2020, we had 18 outstanding borrowings, including asset management, trust financing and other financing arrangements, which usually have a greater flexibility in terms of fund availability and repayment requirements. As of April 30, 2020, our asset management, trust financing, and other financing arrangements amounted to approximately RMB4,362.0 million (US$617.7 million), representing approximately 78.0% of our total interest-bearing bank and other borrowings as of the same date. While these financing providers generally do not link their interest rates to the PBOC benchmark lending rates, they typically charge higher interest rates than those by commercial banks. The PRC government may implement more stringent measures to control risks in loan growth, which may include more stringent review procedures that these financing providers are required to adopt when considering applications and remedial actions that they are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that these financing providers can make available for the real estate industry in China as a whole and to us. As such, any increase in interest rates offered to us and the general credit availability may significantly impact our property development business.

As of December 31, 2017, 2018 and 2019 and April 30, 2020, our total interest-bearing bank and other borrowings amounted to RMB5,196.8 million, RMB7,458.9 million, RMB6,766.3 million (US$958.1 million) and RMB5,589.0 million (US$791.4 million), respectively. The weighted average effective interest rates on our interest-bearing bank and other borrowings as of December 31, 2017, 2018 and 2019 and April 30, 2020 were 7.4%, 9.3%, 9.4% and 10.3%, respectively. In 2017, 2018 and 2019 and the four months ended April 30, 2020, our finance costs were RMB220.1 million, RMB281.3 million, RMB261.7 million (US$37.1 million) and RMB75.5 million (US$10.7 million), respectively. We may also from time to time in the future obtain further funding by accessing both the international and domestic capital markets, including but not limited to the issuance of new corporate bonds, asset-backed securities programs and debt offerings when needed, to diversify our financing sources, secure sufficient working capital and support our business expansion. In addition, a significant portion of our finance costs are capitalized to the extent that such costs are directly attributable to the project construction. An increase in our finance costs will negatively affect our profitability and results of operations. Moreover, the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign invested property developers in China and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. Our management estimated appreciation of land value based on our understanding and interpretation of the relevant tax rules and regulations, being the revenue from sales of properties less deductible expenditure including lease charges for land use rights, construction and installation costs and other costs and expenses, to be RMB224.4 million, RMB4,332.5 million, RMB3,414.1 million (US$483.4 million) and RMB197.3 million (US$27.9 million) in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively, and recorded LAT expenses of RMB91.6 million, RMB1,671.7 million, RMB1,275.6 million (US$180.6 million) and RMB81.3 million (US$11.5 million) in the same periods, respectively. We accrued all LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations in 2017, 2018, 2019 and the four months ended April 30, 2020. However, our provision for LAT requires our management to use a significant amount of judgment and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Under such circumstances, our results of operations and cash flows may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. The estimates and assumptions are based on our historical experience and other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of our judgments about matters not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) our judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items require management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by our Company.

Control is achieved when we are exposed, or have rights, to variable returns from our involvement with the investee and have the ability to affect those returns through our power over the investee (i.e., existing rights that give us the current ability to direct the relevant activities of the investee).

When we have directly or indirectly, less than a majority of the voting or similar rights of an investee, we consider all relevant facts and circumstances in assessing whether we have 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) our voting rights and potential voting rights.

We reassess whether or not we control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in our statements of profit or loss and other comprehensive income to the extent of dividends received and receivable.

Investments in Associates and Joint Ventures

An associate is an entity in which we have 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.

Our investments in associates and joint ventures are stated in the consolidated statements of financial position at our 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. Our share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, we recognize our share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between us and our associates are eliminated to the extent of our investments in the associates, except where unrealized 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, we measure and recognize 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 recognized in profit or loss.

Revenue Recognition

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of our activities. Revenue is recognized after eliminating intra-group sales income and costs.

Sales of properties

Revenue from development properties for sale is recognized at the point in time when customers obtain the physical possession or the legal title of the completed properties and we have right to payment and collection of the consideration is probable.

In determining the transaction price, we adjust the promised amount of consideration for the effect of the financing component if it is significant.

Consulting services

Consulting service income derived from the provision of support services in connection with the development of property projects, which is recognized 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 recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Interest income

Interest income is recognized 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 recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

Investments and Other Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure 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 we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" above.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Our 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 amortized 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.

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 derecognized (i.e., removed from our consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- we have transferred our 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) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When we have transferred our rights to receive cash flows from an asset or have entered into a pass-through arrangement, we evaluate if, and to what extent, we have retained the risk and rewards of ownership of the asset. When we have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, we continue to recognize the transferred asset to the extent of our continuing involvement. In that case, we also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have 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 we could be required to repay.

Investment Properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which 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 each of the relevant periods.

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 recognized 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 us as an owner-occupied property becomes an investment property, we account for such property in accordance with IAS 16 *Property, Plant and Equipment* 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 and carried in the asset revaluation reserve in equity. 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 recognized in profit or loss.

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 realizable value. Properties under development are classified as current assets unless those will not be realized 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 statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Sales and Leaseback

We transfer an asset to our customer (the buyer-lessor) and lease such asset back from the buyer-lessor. According to IFRS 16.99, we assess whether the transfer of the asset is accounted for as a sale by applying the requirements for determining when a performance obligation is satisfied in IFRS 15. Therefore, we recognize revenue at the fair value of the assets which is based on valuations performed an independent property valuer, and accounted for the excess of the fair value of the consideration for the sales of assets over the fair value of the assets as additional financing provided by the buyer-lessor to us in accordance with IFRS 16.101. In addition, we measure 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 us under IFRS 16.100(a). Therefore, we recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

Furthermore, as the properties held under leases met the definition of investment properties under IAS 40, subsequent to initial recognition, investment properties including properties held under leases are stated at fair value, which reflects market conditions at the end of each of the relevant periods. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. The fair value of investment properties at the end of each of the relevant periods is based on valuations performed by JLL. See "— Investment Properties" above for details.

Early adoption of IFRS 9, IFRS 15 and IFRS 16

IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers* are effective for financial periods beginning on or after January 1, 2018, replacing IAS 39 *Financial Instruments*, IAS 18 *Revenue* and IAS 11 *Construction Contracts*, respectively, and we have applied IFRS 9 and IFRS 15 to our consolidated financial statements consistently. IFRS 16 *Leases* is effective for financial periods beginning on or after January 1, 2019, replacing IAS 17 *Leases*, and we have applied IFRS 16 to our consolidated financial statements consistently.

The impacts of the IFRS 9, IFRS 15 and IFRS 16 on our historical financial information are as follows:

Impact of IFRS 9

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Such classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is classified as fair value through profit or loss, the changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at

fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, in which case such fair value changes recognized in OCI are never recycled into profit and loss, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three-stage" approach, which is based on the change in credit quality of financial assets since the initial recognition. Assets move through the three stages as credit quality changes, and the stages dictate how an entity measures impairment loss and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Impact of IFRS 15

Following the adoption of IFRS 15, the following items are recognized in different ways: (i) advanced proceeds received from customers for which the performance obligations that we have not yet satisfied are presented as contract liabilities; and (ii) for contracts where the period between the payment by the customer and the transfer of the promised property or service is more than one year, the transaction price is adjusted for the effects of such financing component, if significant. 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.

Impact on our financial position and performance

We had adopted IFRS 9 and IFRS 15 on a consistent basis, without applying IAS 39 and IAS 18. Therefore, there is no direct comparison between our financial position or performance by adopting IFRS 9 and IFRS 15 and our financial position or performance by adopting IAS 39 and IAS 18. It is mandatory to apply IFRS 9 and IFRS 15 for the periods beginning on or after January 1, 2018. Early application is permitted.

Impact of IFRS 16

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless we are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term.

Right-of-use assets and lease liabilities were recognized for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use assets and lease liabilities are recognized arising from sale and leaseback. Right-of-use assets are recognized at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor is recognized.

Impact on our financial position and performance

We recognized lease liabilities in relation to long-term leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. We also recognized right-of-use assets arising from sale and leaseback transactions and the associated right-of-use assets which meet the definition of investment property are measured using the fair value model and included in investment property.

We had adopted IFRS 16 on a consistent basis without applying IAS 17. Therefore, there is no direct comparison between our financial position or performance by adopting IFRS 16 and our financial position or performance by adopting IAS 17. It is mandatory to apply IFRS 16 for the periods beginning on or after January 1, 2019. Early application is permitted.

DESCRIPTION OF PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue consisted of revenue derived from (i) sales of properties, (ii) property lease income, and (iii) consulting services. The table below sets forth our revenue for each of the components described above and the percentage of total revenue for the periods indicated:

	Year Ended December 31,							Four Months Ended April 30,				
	2017		2018		2019			2019		2020		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(In thousands, except for percentage)											
						(Unaudited)		(Unaudited)			(Unaudited)	
Sales of properties	1,169,137	97.3	6,789,127	99.1	7,449,198	1,054,799	98.9	1,129,572	98.1	1,124,182	159,183	97.9
Property lease income	31,965	2.7	52,231	0.8	63,853	9,042	0.8	18,382	1.6	16,503	2,337	1.4
Consulting services	—	—	6,078	0.1	22,108	3,130	0.3	3,889	0.3	7,815	1,107	0.7
Total	1,201,102	100.0	6,847,436	100.0	7,535,159	1,066,970	100.0	1,151,843	100.0	1,148,500	162,626	100.0

Sales of Properties

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial majority of our total revenue. Our operating results for any given period are primarily dependent upon the recognized GFA and the ASP of the properties we recognized 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 fluctuate 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 developed and sold property projects.

Consistent with industry practice, we typically enter into pre-sale contracts with customers while the properties are still under development but have already satisfied the conditions for pre-sales in accordance with the PRC laws and regulations. In general, there is a time difference, typically ranging from one to two years, between the time we commence the pre-sales and the completion of the construction of such properties. 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. Proceeds from customers of pre-sold properties are recorded as "contract liability" under "current liabilities" before relevant revenue is recognized. The timing of the transfer of control of the properties may not only affect the amount and growth rate of our revenue from sales of properties but also cause the change of contract liabilities from period to period.

Property Lease Income

We have engaged in the development and operation of investment properties and started to generate rental income from leasing our investment properties since April 2017. Our revenue derived from property lease income increased from 2017 to 2019 mainly due to the continuous improvement in our commercial property operation capabilities as well as the increase in rent and occupancy rate of our commercial properties. Our revenue derived from property lease income decreased in the four months ended April 30, 2020 as compared to the same period in 2019, primarily due to the rent waivers we granted to our tenants. In light of the COVID-19 pandemic, we granted rent waivers during January and February 2020, which waived approximately one month rent, to certain of our tenants to support their business.

Consulting Services

Since 2018, we started to generate revenue from consulting services, which include the provision of support services in connection with development of property projects operated by our joint ventures and associates, such as project development, design, cost control and delivery. Our revenue derived from consulting services is recognized when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by our performance as we perform. Our revenue derived from consulting services increased substantially in 2017, 2018, 2019 and the four months ended April 30, 2020, mainly due to the increase in the number of projects operated by our joint ventures and associates which require our consulting services.

Cost of Sales

Our cost of sales primarily represents the costs we incur directly for the property development activities as well as the provision of property lease and consulting services. The principal components of cost of sales for our property development include cost of properties sold, which represents land use right costs, direct construction costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The table below sets forth information relating to our cost of sales for each of our business lines and as percentage of total cost of sales for the periods indicated:

	Year Ended December 31,							Four Months Ended April 30,				
	2017		2018		2019			2019		2020		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(In thousands, except for percentages)											
						(Unaudited)		(Unaudited)			(Unaudited)	
Cost of properties sold												
Land use right costs	427,152	51.5	1,082,561	32.6	1,919,800	271,842	43.0	169,844	29.4	188,972	26,758	34.0
Construction costs	294,636	35.5	1,747,724	52.6	2,051,721	290,522	46.0	323,305	55.9	285,749	40,462	51.5
Capitalized interest	57,935	7.0	423,414	12.7	437,617	61,966	9.8	69,479	12.0	70,235	9,945	12.6
Impairment[(1)]	44,319	5.3	58,521	1.8	37,912	5,368	0.8	12,406	2.1	4,652	659	0.8
Subtotal	824,042	99.3	3,312,220	99.7	4,447,050	629,698	99.6	575,034	99.4	549,608	77,824	98.9
Cost of consulting services	—	—	2,644	0.1	10,347	1,465	0.2	1,795	0.3	3,536	501	0.6
Cost of property lease	5,773	0.7	6,781	0.2	6,837	968	0.2	1,780	0.3	2,665	377	0.5
Total	829,815	100.0	3,321,645	100.0	4,464,234	632,131	100.0	578,609	100.0	555,809	78,702	100.0

Note:

(1) An impairment exists when the carrying value exceeds its net realizable value which is calculated based on expected selling prices, the costs of completion and the costs of selling properties. Our impairment recognized under cost of properties sold relates to the impairment losses for properties under development.

Gross Profit and Gross Profit Margin

The gross profit margin for our sales of properties increased from 29.5% in 2017 to 51.2% in 2018, primarily due to an increase in ASP for properties delivered and a decrease in the average land use right cost per sq.m. resulted from the delivery of our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects. The relatively higher ASP of such projects delivered in 2018 than that of projects we delivered in 2017 was primarily because they were mainly comprised of townhouses and houses as compared to those projects we delivered in 2017, which were mainly comprised of low-rise apartment buildings and commercial properties and thus had a relatively lower ASP. In addition, as the land use rights of our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects were acquired by us through the acquisition of Shanghai Sheshan Country Club, which entailed relatively lower land acquisition costs, our land use right cost per sq.m. in 2018 was lower than that in 2017.

The gross profit margin for our sales of properties decreased from 51.2% in 2018 to 40.3% in 2019, primarily due to a decrease in ASP for properties delivered and an increase in the average land use right cost per sq.m. resulted from the delivery of our new projects located in Suzhou in 2019. The relatively lower ASP of such projects located in Suzhou delivered in 2019 than that of projects we delivered in 2018 was primarily because (i) they were mainly comprised of low-rise apartment buildings as compared to those projects we delivered in 2018, which were mainly comprised of townhouses and houses and thus had a relatively higher ASP than our other types of property projects, and (ii) they were located in Suzhou, where the ASP of properties was generally lower than that of the properties located in Shanghai. In addition, as mentioned above, since the acquisition of Shanghai Sheshan Country Club entailed relatively lower land acquisition costs, our land use right cost per sq.m. in 2019 was higher than that in 2018.

The gross profit margin for our sales of properties increased from 49.1% in the four months ended April 30, 2019 to 51.1% in the same period in 2020, primarily due to the decrease in average cost per sq.m. outpaced the decrease in ASP.

We started to generate revenue from the lease of our investment properties in April 2017 and the gross profit margin for property lease was 81.9%, 87.0% and 89.3% in 2017, 2018 and 2019, respectively. The increase from 2017 to 2019 was primarily due to an increase in our occupancy rate. The gross profit margin for property lease decreased from 90.3% in the four months ended April 30, 2019 to 83.9% in the same period in 2020, primarily due to a decrease in our revenue from the lease of our investment properties as a result of the rent waivers we granted to our tenants. In light of the COVID-19 pandemic, we granted rent waivers during January and February 2020, which waived approximately one month rent, to certain of our tenants to support their business.

We started to generate revenue from consulting services in 2018 and the gross profit margin for consulting services was 56.5%, 53.2%, 53.8% and 54.8% in 2018, 2019 and the four months ended April 30, 2019 and 2020, respectively.

Other Income and Gains

The following table sets forth the components of other income and gains in absolute amounts and as percentages of total other income and gains for the periods indicated:

	Year Ended December 31,							Four Months Ended April 30,				
	2017		2018		2019			2019		2020		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(In thousands, except for percentages)											
						(Unaudited)		(Unaudited)			(Unaudited)	
Remeasurement gain on investment in a joint venture held before business combination	—	—	—	—	4,891	693	43.5	—	—	—	—	—
Gain on disposal of subsidiaries	—	—	3,275	43.4	—	—	—	—	—	—	—	—
Forfeiture of deposits	2,878	54.5	2,929	38.8	1,853	262	16.5	236	20.5	357	51	22.9
Government grants	1,342	25.4	1,133	15.0	3,866	547	34.4	562	49.0	1,033	146	66.2
Gain on disposal of items of property, plant and equipment	973	18.4	—	—	64	9	0.6	—	—	—	—	—
Others	92	1.7	209	2.8	568	80	5.0	350	30.5	170	24	10.9
Total	5,285	100.0	7,546	100.0	11,242	1,592	100.0	1,148	100.0	1,560	221	100.0

We disposed of certain subsidiaries in 2017, 2018, 2019 and the four months ended April 30, 2020 and recorded gains on such disposals in an aggregate amount RMB3.3 million in 2018.

Government grants mainly represented various subsidies obtained from local governments, such as industry funds and subsidies for tax returns. Government grants were generally non-recurring in nature.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of advertising and marketing expenses, staff cost, sales agent fees, management fees and maintenance and office expenses. Among our selling and distribution expenses, advertising and marketing expenses accounted for a significant portion in 2017, 2018, 2019 and the four months ended April 30, 2020, which primarily include costs incurred in connection with outdoor advertisements and our promotional offers.

Administrative Expenses

Administrative expenses primarily consist of staff costs, traveling and office expense, professional fees, entertainment expenses, depreciation and amortization, tax charges and listing expenses.

Impairment Losses on Financial Assets

We made prudent general provisions for losses arising from potential bad debts in respect of our financial assets.

Other Expenses

The following table sets forth the components of other expenses, in absolute amounts and as percentages of total other expenses, for the periods indicated:

	Year Ended December 31,							Four Months Ended April 30,				
	2017		2018		2019			2019		2020		
	RMB	%	RMB	%	RMB	US$	%	RMB	%	RMB	US$	%
	(In thousands, except for percentages)											
						(Unaudited)		(Unaudited)			(Unaudited)	
Compensation	94	6.2	338	10.4	232	33	7.3	—	—	9	1	3.1
Donations	—	—	1,553	47.6	250	35	7.9	—	—	150	21	51.0
Penalty expenses and surcharges	1,245	82.6	1,239	38.0	451	64	14.3	158	58.1	121	17	41.2
Loss on disposal of property, plant and equipment	—	—	—	—	1,688	239	53.5	—	—	13	2	4.4
Others	168	11.2	129	4.0	538	76	17.0	114	41.9	1	0	0.3
Total	1,507	100.0	3,259	100.0	3,159	447	100.0	272	100.0	294	42	100.0

Compensation primarily represented the various occasional compensation amounts paid to certain of our customers. Donations primarily represented various donations we made to social charity activities. Penalty expenses and surcharges primarily related to certain non-compliance incidents during our property development process.

Fair Value Gains on Investment Properties

We develop and hold certain commercial areas in our properties on a long-term basis for rental income or capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value as of each balance sheet date as determined by independent valuations. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses in our consolidated statements of profit or loss and other comprehensive income, which may have a substantial effect on our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if a different set of bases or assumptions is used. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in China.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss in 2017, 2018, 2019 and the four months ended April 30, 2020 mainly related to (i) our investment in unlisted equity interests of Zhuhai Zhenheng Equity Investment Center (Limited Partnership), (ii) the contingent consideration which the then respective shareholders of certain of our investment properties are required to pay us with reference to certain performance indicators as written in the respective agreements, and (iii) a wealth management product we purchased from reputable commercial banks and other financial institutions. We have established strict investment management procedures to monitor and control the potential risks relating to these investment activities.

As of December 31, 2017 and 2018 and 2019 and April 30, 2020, our financial asset at fair value through profit or loss amounted to RMB79.8 million, RMB62.9 million, RMB55.5 million (US$7.9 million) and RMB52.5 million (US$7.4 million), respectively. We recognized fair value gains on financial assets at fair value through profit or loss of RMB4.2 million, RMB2.6 million, RMB1.9 million (US$0.3 million) and RMB0.3 million (US$0.04 million) in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively.

Finance Costs

Finance costs primarily consist of (i) interest expenses for bank and other borrowings net of capitalized interest relating to properties under development, and (ii) interest expense arising from revenue contracts, which is related to the pre-sale proceeds of our properties we received from our customers.

Share of Profits and Losses of Joint Ventures and Associates

We from time to time develop property projects jointly with third parties by establishing joint ventures or associates. The classification of an investment as a subsidiary, a joint venture or an associate is based on whether we are determined to have control, joint control or significant influence over the investee, which involves judgements through the analysis of various factors, including our representation on the chief decision-making authorities of an investee, such as board of directors' meetings and shareholders' meetings, as well as other facts and circumstances. 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. An associate is an entity in which we have a long term interest of generally not less than 20% of the equity voting rights and over which we are 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. Our share of the post-acquisition results and other comprehensive income of joint ventures and associates is included in the consolidated statements of profit or loss and other comprehensive income.

In 2017, 2018, 2019 and the four months ended April 30, 2020, share of profits and losses of joint ventures and associates fluctuated subject to the increasing number of our invested joint ventures and associates as well as the operations of those entities. We recorded share of profits of joint ventures of RMB5.7 million and RMB15.8 million (US$2.2 million) in 2017 and 2019, respectively, and recorded share of losses of joint ventures of RMB6.2 million in 2018. In addition, our share of losses of associates amounted to RMB0.1 million, RMB4.0 million and RMB8.2 million (US$1.2 million) in 2017, 2018 and 2019, respectively.

Income Tax Expense

Our subsidiaries in China are subject to corporate income tax and LAT. Our income tax expense primarily comprises corporate income tax and LAT and, to a lesser extent, deferred tax. Our current corporate income tax expense represents the provision we estimate and make for corporate income tax according to applicable tax laws and regulations for the relevant periods.

The following table sets forth the components of income tax expense in absolute amounts for the periods indicated:

	Year ended December 31,				Four Months Ended April 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
			(in thousands)				
			(Unaudited)		(Unaudited)		(Unaudited)
Current tax:							
Corporate income tax	100,633	965,461	866,068	122,634	125,736	136,154	19,279
LAT.....	91,611	1,671,728	1,275,595	180,623	235,040	81,261	11,506
Deferred tax	(9,040)	(296,955)	(265,047)	(37,530)	2,629	13,688	1,938
Total tax charge for the year/period.....	183,204	2,340,234	1,876,616	265,727	363,405	231,103	32,724

In 2017, 2018 and 2019 and the four months ended April 30, 2020, our effective corporate income tax rate was approximately 72.6%, 49.8%, 47.0% and 48.6%, respectively.

Profit Attributable to Non-controlling Interests

In 2017, we recorded a net loss attributable to non-controlling interests of RMB15.4 million, mainly because Sheshan Country Club, in which we held a 45% effective equity interest as of December 31, 2017, recorded the net loss attributable to non-controlling interests of RMB60.9 million in 2017. We recorded a net profit attributable to non-controlling interests of RMB518.4 million and RMB457.4 million (US$64.8 million), respectively, in 2018 and 2019, mainly because Sheshan Country Club, in which we held a 45% and 50%, respectively, effective equity interest as of December 31, 2018 and 2019, recorded the net profit attributable to non-controlling interests of RMB538.7 million and RMB446.5 million (US$63.2 million) in 2018 and 2019, respectively. We recorded a net profit attributable to non-controlling interests of RMB87.7 million and RMB137.4 million (US$19.5 million), respectively, in the four months ended April 30, 2019 and 2020, mainly because Sheshan Country Club, in which we held a 45% and 50%, respectively, effective equity interest as of April 30, 2019 and 2020, recorded the net profit attributable to non-controlling interests of RMB107.9 million and RMB144.8 million (US$20.5 million) in the same periods, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2020 Compared to Four Months Ended April 30, 2019

Revenue

Our revenue remained relatively stable at RMB1,151.8 million in the four months ended April 30, 2019 and RMB1,148.5 million (US$162.6 million) in the same period in 2020.

Sales of properties. Our revenue from sales of properties remained relatively stable at RMB1,129.6 million in the four months ended April 30, 2019 and RMB1,124.2 million (US$159.2 million) in the same period in 2020.

Property lease. Revenue derived from property lease decreased from RMB18.4 million in the four months ended April 30, 2019 to RMB16.5 million (US$2.3 million) in the same period in 2020, primarily due to the rent waivers we granted to our tenants. In light of the COVID-19 pandemic, we granted rent waivers during January and February 2020, which waived approximately one month rent, to certain of our tenants to support their business.

Consulting services. Revenue derived from consulting services increased from RMB3.9 million in the four months ended April 30, 2019 to RMB7.8 million (US$1.1 million) in the same period in 2020, primarily due to the increase in the number of projects operated by our joint ventures and associates which require our consulting services.

Cost of Sales

Our cost of sales decreased by 3.9% from RMB578.6 million in the four months ended April 30, 2019 to RMB555.8 million (US$78.7 million) in the same period in 2020, primarily because the GFA delivered in the four months ended April 30, 2020 were primarily resulting from our Shanghai • Sunkwan Flourish Peninsula project, which entailed a relatively lower development costs as compared to our Shanghai • Future Land Flourish Moon project delivered in the same period in 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 3.4% from RMB573.2 million in the four months ended April 30, 2019 to RMB592.7 million (US$83.9 million) in the same period in 2020. Our gross profit margin increased from 49.8% in the four months ended April 30, 2019 to 51.6% in the same period in 2020, primarily due to the decrease in average cost per sq.m. outpaced the decrease in ASP.

Other Income and Gains

Other income and gains increased by 45.5% from RMB1.1 million in the four months ended April 30, 2019 to RMB1.6 million (US$0.2 million) in the same period in 2020, primarily due to an increase in government grants in connection with the tax returns related to individual income tax, which we withheld and remitted on behalf of our employees, and employment related subsidies granted to Sheshan Country Club.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB50.8 million in the four months ended April 30, 2019 and RMB52.0 million (US$7.4 million) in the same period in 2020.

Administrative Expenses

Our administrative expenses increased by 16.0% from RMB80.4 million in the four months ended April 30, 2019 to RMB93.3 million (US$13.2 million) in the same period in 2020, primarily due to our business expansion, resulting in the increases in our staff costs, listing expenses and other miscellaneous. As our listing schedule moved forward, our listing expenses increased significantly from RMB1.7 million in the four months ended April 30, 2019 to RMB8.7 million (US$1.2 million) in the same period in 2020. In addition, our professional fees decreased by 32.3% from RMB3.1 million in the four months ended April 30, 2019 to RMB2.1 million (US$0.3 million) in the same period in 2020, primarily due to a decrease in promotion expenses.

Impairment Losses on Financial Assets

Impairment losses on financial assets increased by 500.0% from RMB0.1 million in the four months ended April 30, 2019 to RMB0.6 million (US$0.1 million) in the same period in 2020, primarily because we made an increased provision for expected credit loss from trade receivables as an impact of the COVID-19 pandemic.

Other Expenses

Our other expenses remained stable at RMB0.3 million (US$0.04 million) in the four months ended April 30, 2019 and 2020, respectively.

Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased by 76.4% from RMB53.0 million in the four months ended April 30, 2019 to RMB12.5 million (US$1.8 million) in the same period in 2020, primarily due to a lower increased amount in the valuation of our investment properties as the operation of our investment properties became relatively stable.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss

Our fair value gains on financial assets at fair value through profit or loss decreased from RMB1.3 million in the four months ended April 30, 2019 to RMB0.3 million (US$0.04 million) in the same period in 2020, primarily because the fair value of contingent consideration which the then respective shareholders of certain of our investment properties are required to pay us with reference to certain performance indicators as written in the respective agreements had been determined as of December 31, 2019 and no subsequent changes during the four months ended April 30, 2020.

Finance Costs

Our finance costs increased from RMB70.5 million in the four months ended April 30, 2019 to RMB75.5 million (US$10.7 million) in the same period in 2020, primarily due to an increase in costs associated with our interest-bearing bank and other borrowings as a result of the increase in the weighted average effective interest rates on such borrowings.

Share of Profits and Losses of Joint Ventures

Our share of profits of joint ventures decreased by 76.5% from RMB6.8 million in the four months ended April 30, 2019 to RMB1.6 million (US$0.2 million) in the same period in 2020. Such share of profit of joint ventures was primarily a result of the profit recognized from the valuation gains of Shanghai • Sunkwan Center less the losses recognized from joint ventures which operate property projects under development during the period. The decrease in share of profit of joint ventures was primarily because the increase in losses from these joint ventures outpaced the increase in profit from the valuation gains of Shanghai • Sunkwan Center during the same period.

Share of Losses of Associates

Our share of losses of associates remained relatively stable at RMB2.8 million in the four months ended April 30, 2019 and RMB2.7 million (US$0.4 million) in the same period in 2020.

Profit Before Tax

As a result of the foregoing, we recognized profit before tax of RMB433.5 million and RMB389.5 million (US$55.2 million) in the four months ended April 30, 2019 and 2020, respectively.

Income Tax Expense

Our income tax expense decreased from RMB363.4 million in the four months ended April 30, 2019 to RMB231.1 million (US$32.7 million) in the same period in 2020, primarily due to the decrease in LAT as a result of the final clearance of LAT for Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 126.0% from RMB70.1 million in the four months ended April 30, 2019 to RMB158.4 million (US$22.4 million) in the same period in 2020. Our net profit margin increased from 6.1% in the four months ended April 30, 2019 to 13.8% in the same period in 2020.

Profit Attributable to Non-controlling Interests

We recorded a net profit attributable to non-controlling interests of RMB87.7 million and RMB137.4 million (US$19.5 million) in the four months ended April 30, 2019 and 2020, respectively, mainly because Sheshan Country Club, in which we held a 45% and 50%, respectively, effective equity interest as of April 30, 2019 and 2020, recorded the net profit attributable to non-controlling interests of RMB107.9 million and RMB144.8 million (US$20.5 million) in the same period, respectively.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 10.0% from RMB6,847.4 million in 2018 to RMB7,535.2 million (US$1,067.0 million) in 2019, primarily due to the increase in revenue from sales of properties.

Sales of properties. Our revenue from sales of properties increased by 9.7% from RMB6,789.1 million in 2018 to RMB7,449.2 million (US$1,054.8 million) in 2019, primarily due to an increase in total recognized GFA, which was partially offset by a decrease in recognized ASP.

Property lease. Revenue derived from property lease increased from RMB52.2 million in 2018 to RMB63.9 million (US$9.0 million) in 2019, primarily due to the continuous improvement in our commercial property operation capabilities as well as the increase in rent and occupancy rate of our commercial properties.

Consulting services. Revenue derived from consulting services increased from RMB6.1 million in 2018 to RMB22.1 million (US$3.1 million) in 2019, primarily due to the increase in the number of projects operated by our joint ventures and associates which require our consulting services.

Cost of Sales

Our cost of sales increased by 34.4% from RMB3,321.6 million in 2018 to RMB4,464.2 million (US$632.1 million) in 2019, primarily due to the increase in the GFA delivered of 167,283 sq.m. for our Shanghai • Sunkwan Flourish Peninsula, Shanghai • Future Land Flourish Moon, Suzhou • Sunkwan Riverside Seasons projects and Suzhou • Changshu Phoenix Garden.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 12.9% from RMB3,525.8 million in 2018 to RMB3,070.9 million (US$434.8 million) in 2019. Our gross profit margin decreased from 51.5% in 2018 to 40.8% in 2019, primarily due to a decrease in ASP for properties delivered and an increase in the average land use right cost per sq.m. resulted from the delivery of our new projects located in Suzhou.

Other Income and Gains

Other income and gains increased by 49.3% from RMB7.5 million in 2018 to RMB11.2 million (US$1.6 million) in 2019, primarily due to an increase in governmental grants from local government in connection with our Shanghai • Sunkwan Mangrove Bay project for supporting its adoption of energy saving measures and remeasurement gain on investment in a joint venture held before business combination.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 32.6% from RMB161.2 million in 2018 to RMB213.7 million (US$30.3 million) in 2019, primarily due to (i) an increase in our advertising and marketing expenses to promote new property projects, and (ii) an increase in our selling and distribution staff costs as a result of the expansion of our in-house sales and marketing team to support our business expansion, partially offset by a decrease in sales agent fees due to an adjustment in our business strategy to rely more on our in-house sales and marketing team.

Administrative Expenses

Our administrative expenses increased by 3.9% from RMB241.3 million in 2018 to RMB250.7 million (US$35.5 million) in 2019, primarily due to our business expansion, resulting in the increase in our traveling and office expenses, the increases in listing expenses and other miscellaneous. Our professional fees decreased by 59.2% from RMB28.9 million in 2018 to RMB11.8 million (US$1.7 million) in 2019, primarily due to a decrease in management consulting service fees as we ceased engaging such services for certain of our projects.

Impairment Losses on Financial Assets

Impairment losses on financial assets decreased by 66.7% from RMB1.2 million in 2018 to RMB0.4 million (US$0.1 million) in 2019, primarily due to (i) an enhancement in our collection efforts, and (ii) a decrease in our financial assets resulting from the differences in the respective payment schedule for our financial assets.

Other Expenses

Our other expenses remain relatively stabled at RMB3.3 million in 2018 and RMB3.2 million (US$0.5 million) in 2019, respectively.

Fair Value Gains on Investment Properties

Fair value gains on investment properties increased by 10.0% from RMB159.8 million in 2018 to RMB175.8 million (US$24.9 million) in 2019, primarily due to the appreciation in value for our investment properties.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss

Our fair value gains on financial assets at fair value through profit or loss decreased from RMB2.6 million in 2018 to RMB1.9 million (US$0.3 million) in 2019, primarily related to (i) our investment in unlisted equity interests of Zhuhai Zhenheng Equity Investment Center (Limited Partnership), and (ii) the contingent consideration which the then respective shareholders of certain of our investment properties are required to pay us with reference to certain performance indicators as written in the respective agreements.

Finance Costs

Our finance costs decreased from RMB281.3 million in 2018 to RMB261.7 million (US$37.1 million) in 2019, primarily due to an increase in interest capitalized.

Share of Profits and Losses of Joint Ventures

We incurred share of losses of joint ventures of RMB6.2 million in 2018 and recognized share of profits of RMB15.8 million (US$2.2 million) in 2019, primarily due to an increase in our share of profits resulting from the appreciation of certain joint venture project.

Share of Losses of Associates

Our share of losses of associates increased from RMB4.0 million in 2018 to RMB8.2 million (US$1.2 million) in 2019, primarily because we increased our investments in associates to develop property projects with third parties and most of such projects were still under development in 2019.

Profit Before Tax

As a result of the foregoing, we recognized profit before tax of RMB3,013.1 million and RMB2,553.5 million (US$361.6 million) 2018 and 2019, respectively.

Income Tax Expense

Our income tax expense decreased from RMB2,340.2 million in 2018 to RMB1,876.6 million (US$265.7 million) in 2019, primarily due to a decrease in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 0.6% from RMB672.9 million in 2018 to RMB676.9 million (US$95.8 million) in 2019. Our net profit margin decreased from 9.8% in 2018 to 9.0% in 2019.

Profit Attributable to Non-controlling Interests

We recorded a net profit attributable to non-controlling interests of RMB518.4 million and RMB457.4 million (US$64.8 million), respectively, in 2018 and 2019, mainly because Sheshan Country Club, in which we held a 45% and 50%, respectively, effective equity interest as of December 31, 2018 and 2019, recorded the net profit attributable to non-controlling interests of RMB538.6 million and RMB446.5 million (US$63.2 million) in 2018 and 2019, respectively.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue significantly increased by 470.1% from RMB1,201.1 million in 2017 to RMB6,847.4 million in 2018, primarily due to the increase in revenue derived from our sales of properties.

Sales of properties. Our revenue from sales of properties increased significantly by 480.7% from RMB1,169.1 million in 2017 to RMB6,789.1 million in 2018, primarily due to an increase in both total recognized GFA and recognized ASP.

Property lease. We started to recognize property lease income in April 2017. Revenue derived from property lease increased from RMB32.0 million in 2017 to RMB52.2 million in 2018, primarily due to the acquisition of Shanghai • Sunkwan International Plaza which took place in June 2017.

Consulting services. We started to generate revenue from consulting services in 2018, amounting to RMB6.1 million.

Cost of Sales

Our cost of sales increased by 300.3% from RMB829.8 million in 2017 to RMB3,321.6 million in 2018, primarily due to an increase in the scale of our operations as evidenced by the increase in GFA delivered.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 849.6% from RMB371.3 million in 2017 to RMB3,525.8 million in 2018. Our gross profit margin increased from 30.9% in 2017 to 51.5% 2018, primarily due to an increase in ASP for properties delivered and a decrease in the average land use right cost per sq.m. resulted from the delivery of certain projects in Shanghai.

Other Income and Gains

Other income and gains increased by 41.5% from RMB5.3 million in 2017 to RMB7.5 million in 2018, primarily due to the disposal of subsidiaries in 2018, whereby there was no disposal of such kind in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 105.4% from RMB78.5 million in 2017 to RMB161.2 million in 2018, primarily due to an increase in our sales agent fees relating to higher sales commissions paid to our sales agents as compared to that in 2017, which was generally in line with the increase in our revenue from sale of properties in 2018.

Administrative Expenses

Our administrative expenses increased by 84.3% from RMB130.9 million in 2017 to RMB241.3 million in 2018, primarily due to the increases in our management and administrative headcount, traveling and office expenses, professional fees, and other miscellaneous expenses which was in line with our business expansion. Our professional fees increased by 22.5% from RMB23.6 million in 2017 to RMB28.9 million in 2018, primarily due to an increase in consulting service fees in relation to construction and acquisitions.

Impairment Losses on Financial Assets

Impairment losses on financial assets decreased by 25.0% from RMB1.6 million in 2017 to RMB1.2 million in 2018, primarily due to an enhancement in our collection efforts.

Other Expenses

Our other expenses increased by 120.0% from RMB1.5 million in 2017 to RMB3.3 million in 2018, primarily due to an increase in donations.

Fair Value Gains on Investment Properties

Fair value gains on investment properties decreased by 37.1% from RMB254.2 million in 2017 to RMB159.8 million in 2018, primarily due to a decrease in fair value gains on investment properties held under lease arrangement in relation to Shanghai • Sunkwan Upper Commercial Plaza since we recognized most of its fair value gains, which related to the right-of-use assets under the lease arrangement, in 2017.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss

Our fair value gains on financial assets at fair value through profit or loss decreased from RMB4.2 million in 2017 to RMB2.6 million in 2018, primarily related to (i) our investment in unlisted equity interests of Zhuhai Zhenheng Equity Investment Center (Limited Partnership), and (ii) the contingent consideration which the then respective shareholders of certain of our investment properties are required to pay us with reference to certain performance indicators as written in the respective agreements.

Finance Costs

Our finance costs increased by 27.8% from RMB220.1 million in 2017 to RMB281.3 million in 2018, primarily due to an increase in interest on interest-bearing bank and other borrowings, which was in line with our business expansion.

Share of Profits and Losses of Joint Ventures

We recognized share of profits of joint ventures of RMB5.7 million in 2017 and incurred share of losses of joint ventures of RMB6.2 million in 2018, primarily because we increased our investments in joint ventures to develop property projects with third parties and most of such joint ventures were still under development in 2018.

Share of Losses of Associates

Our share of losses of associates increased from RMB0.1 million in 2017 to RMB4.0 million in 2018, primarily because we increased our investments in associates to develop property projects with third parties and most of such associates were still under development in 2017 and 2018.

Profit Before Tax

As a result of the foregoing, we recognized a profit before tax of RMB217.8 million and RMB3,013.1 million in 2017 and 2018, respectively.

Income Tax Expense

Our income tax expense increased from RMB183.2 million in 2017 to RMB2,340.2 million in 2018, primarily due to a significant increase in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 1,844.8% from RMB34.6 million in 2017 to RMB672.9 million in 2018. Our net profit margin increased from 2.9% in 2017 to 9.8% in 2018.

Profit attributable to non-controlling interests

Compared to 2018 mentioned above, in 2017, we recorded a net loss attributable to non-controlling interests of RMB15.4 million, mainly because Sheshan Country Club, in which we held a 45% effective equity interest as of December 31, 2017, recorded the net loss attributable to non-controlling interests of RMB60.9 million in 2017. Our net loss attributable to non-controlling interests in 2017 was partially offset by Shanghai Kunhui, in which we held a 50% effective equity interest as of December 31, 2017, recording the net profit attributable to non-controlling interests of RMB72.6 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital-intensive industry and have financed our working capital, capital expenditure and other capital requirements 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. We may also look for additional financing opportunities, such as the issuance of corporate bonds, asset-backed securities programs and other debt offerings when needed, to fund our property development operations. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated:

	Year Ended December 31,				Four Months Ended April 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$ (In thousands) (Unaudited)	RMB (Unaudited)	RMB	US$ (Unaudited)
Net cash flows (used in)/from operating activities	(38,485)	(3,806,667)	2,007,987	284,329	1,088,457	1,106,733	156,712
Net cash flows (used in)/from investing activities	(912,891)	230,918	(758,862)	(107,454)	238,230	27,661	3,917
Net cash flows from/(used in) financing activities	1,213,705	3,524,156	(630,295)	(89,249)	(650,400)	(622,509)	(88,147)
Net increase/(decrease) in cash and cash equivalents	262,329	(51,593)	618,830	87,626	676,287	511,885	72,482
Cash and cash equivalents at beginning of year/period	243,933	506,262	454,669	64,381	454,669	1,073,499	152,006
Cash and cash equivalents at end of year/period	506,262	454,669	1,073,499	152,006	1,130,956	1,585,384	224,489

Net Cash Flows (Used in)/From Operating Activities

Our primary source of cash from operating activities is proceeds we receive from the sales of our properties, including pre-sales of properties under development. Our primary uses of cash in operating activities are the payments that we make for our property development activities, including land acquisitions.

In the four months ended April 30, 2020, our net cash from operating activities was RMB1,106.7 million (US$156.7 million), which was primarily the result of cash from operations of RMB1,513.8 million (US$214.4 million) and interest received of RMB5.3 million (US$0.8 million), less a tax payment of RMB222.7 million (US$31.5 million) and an interest payment of RMB189.5 million (US$26.8 million). Cash from operations primarily consisted of (i) an increase in contract liabilities of RMB850.0 million (US$120.4 million) resulting from an increase in the pre-sale of our projects located in Hangzhou and Changzhou during the period, (ii) a decrease in restricted cash of RMB587.0 million (US$83.1 million), and (iii) profit before tax of RMB389.5 million (US$55.2 million), partially offset by (i) an increase in prepayments, other receivables and other assets of RMB137.5 million (US$19.5 million), and (ii) an increase in properties under development and completed properties held for sale of RMB117.7 million (US$16.7 million).

In 2019, our net cash from operating activities was RMB2,008.0 million (US$284.3 million), which was the result of cash from operations of RMB3,915.8 million (US$554.5 million), less a tax payment of RMB1,093.0 million (US$154.8 million) and an interest payment of RMB830.1 million (US$117.5 million). Cash from operations primarily consisted of (i) profit before tax of RMB2,553.5 million (US$361.6 million), and (ii) an increase of RMB2,445.7 million (US$346.3 million) in contract liabilities resulting from our increased sales of properties after the launch of the pre-sale of our new projects located in Hangzhou, Cixi and Dongyang during the period, partially offset by (i) an increase in restricted cash of RMB1,346.5 million (US$190.7 million), and (ii) an increase in properties under development and completed properties held for sale of RMB374.3 million (US$53.0 million).

In 2018, our net cash used in operating activities was RMB3,806.7 million, which was the result of cash used in operations of RMB2,905.7 million, an interest payment of RMB546.2 million and a tax payment of RMB370.1 million, partially offset by interests received of RMB15.9 million. Cash used in operation primarily consisted of (i) an increase in properties under development and completed properties held for sale of RMB3,494.2 million as a result of our increased property development and acquisition activities associated with the increase of total land bank attributable to us; (ii) a decrease in contract liabilities of RMB2,730.9 million resulting from our delivery of properties; and (iii) an increase in restricted cash of RMB693.7 million, partially offset by (i) profit before tax of RMB3,013.1 million, and (ii) an increase in other payables and accruals of RMB927.6 million.

In 2017, our net cash used in operating activities was RMB38.5 million, which was the result of a tax payment of RMB399.0 million and an interest payment of RMB356.7 million, offset by cash from operations of RMB707.5 million and interest received of RMB9.7 million. Cash from operations primarily consisted of (i) an increase in contract liabilities of RMB4,707.1 million resulting from our increased sales of properties, (ii) an increase in trade and bills payables of RMB450.3 million, and (iii) profit before tax of RMB217.8 million, partially offset by (i) an increase in prepayments, other receivables and other assets of RMB2,424.9 million, mainly relating to an increase of RMB1,444.1 million in the amount due from non-controlling shareholders of the subsidiaries primarily as an interest-free cash advances made by Sheshan Country Club, pursuant to our cooperation arrangements with the business partner, from surplus funds to its non-controlling shareholder in an amount in proportion to such non-controlling shareholder's shareholding in Sheshan Country Club, and an increase of RMB774.2 million in deposits for acquisition of land use rights as a result of payment of parcels of land prices; (ii) an increase in properties under development and completed properties held for sale of RMB1,644.0 million, which was primarily due to the increased property development and acquisition activities associated with the increase of total land bank attributable to us from 830,230 sq.m. as of December 31, 2016 to 1,239,007 sq.m. as of December 31, 2017; and (iii) a decrease in other payables and accruals of RMB558.6 million.

Net Cash Flows (Used in)/From Investing Activities

Net cash used in our investing activities is primarily related to cash outflow in connection with purchases of items of property, plant and equipment as well as intangible assets, acquisition of subsidiaries, investments in joint ventures and associates, and acquisition of financial assets at fair value through profit or loss. Net cash from our investing activities is primarily related to cash inflow in connection with disposal of financial assets at fair value through profit or loss, disposal of subsidiaries as well as items of property, plant and equipment.

In the four months ended April 30, 2020, our net cash flows from investment activities amounted to RMB27.7 million (US$3.9 million), primarily consisted of the repayment of advances to related companies of RMB666.6 million (US$94.4 million), partially offset by (i) the advances to related companies of RMB446.5 million (US$63.2 million) and (ii) the investments in associates of RMB114.1 million (US$16.2 million).

In 2019, our net cash flows used in investment activities amounted to RMB758.9 million (US$107.5 million), primarily consisted of the advances to related companies of RMB5,905.0 million (US$836.1 million), partially offset by the repayment of advances to related companies of RMB5,203.7 million (US$736.8 million).

In 2018, our net cash flows from investment activities amounted to RMB230.9 million, primarily consisted of the repayment of advances to related companies of RMB6,109.8 million, partially offset by the advances to related companies of RMB5,766.8 million.

In 2017, our net cash flows used in investment activities amounted to RMB912.9 million, primarily consisted of (i) advances to related companies of RMB6,012.2 million, (ii) acquisition of subsidiaries of RMB610.0 million and, (iii) the acquisition of financial assets at fair value through profit or loss of RMB530.0 million, partially offset by (i) repayment of advances to related companies of RMB5,483.0 million, and (ii) the disposal of financial assets at fair value through profit or loss of RMB801.1 million.

Net Cash Flows From/(Used in) Financing Activities

Cash from financing activities is primarily related to proceeds from interest-bearing bank and other borrowings, advances from related companies, and capital contributions from non-controlling shareholders of subsidiaries. Cash used in financing activities is primarily related to repayment of interest-bearing bank and other borrowings, repayments of advances from related companies, and payments for acquisitions of subsidiaries by us from then equity holder of subsidiaries.

In the four months ended April 30, 2020, net cash flows used in financing activities amounted to RMB622.5 million (US$88.1 million), primarily consisted of (i) the repayment of interest-bearing bank and other borrowings of RMB2,878.1 million (US$407.5 million), and (ii) repayment of advances from related companies of RMB333.6 million (US$47.2 million), partially offset by (i) proceeds from interest-bearing bank and other borrowings of RMB1,719.9 million (US$243.5 million) and (ii) advances from related companies of RMB870.4 million (US$123.2 million).

In 2019, net cash flows used in financing activities amounted to RMB630.3 million (US$89.2 million), primarily consisted of (i) the repayment of interest-bearing bank and other borrowings of RMB6,853.3 million (US$970.4 million), and (ii) repayment of advances from related companies of RMB583.9 million (US$82.7 million), partially offset by (i) proceeds from interest-bearing bank and other borrowings of RMB6,228.8 million (US$882.0 million), and (ii) advances from related companies of RMB377.0 million (US$53.4 million).

In 2018, net cash flows from financing activities amounted to RMB3,524.2 million, primarily consisted of (i) proceeds from interest-bearing bank and other borrowings of RMB6,188.9 million, and (ii) advances from related companies of RMB902.0 million, and (iii) capital contribution by the then equity holder of subsidiaries RMB660.0 million, partially offset by (i) repayments of interest-bearing bank and other borrowings of RMB4,018.5 million and (ii) payments for acquisition of subsidiaries from the then equity holder of the subsidiaries of RMB747.5 million.

In 2017, net cash flows from financing activities amounted to RMB1,213.7 million, primarily consisted of the proceeds from interest-bearing bank and other borrowings of RMB4,284.3 million, partially offset by the repayments of interest-bearing bank and other borrowings of RMB3,132.8 million.

Contingent Liabilities

Guarantees

We provide mortgage guarantees to banks in respect of the mortgage loans they provided to our customers for their purchase of properties in order to secure the repayment obligations of such customers. The mortgage guarantees to banks in respect of mortgage loans to our customers are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

We also provide guarantees to banks and other institutions in connection with financial facilities granted to the related companies. The following table sets forth our total guarantees as of the dates indicated:

	As of December 31,				As of April 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
			(In thousands)			
			(Unaudited)			(Unaudited)
Guarantees given to banks in connection with facilities granted to purchasers of our properties	2,606,941	3,611,166	7,570,272	1,071,942	6,567,753	929,987
Guarantees given to banks in connection with facilities granted to related companies	48,000	373,640	1,805,439	255,648	2,609,569	369,512
Total	2,654,941	3,984,806	9,375,711	1,327,591	9,177,322	1,299,499

Legal Contingents

We are involved in lawsuits and other proceedings in the ordinary course of business. We have assessed the claims and believe that no liabilities resulting from these proceedings will have a material adverse effect on our business, financial condition or operating results.

COMMITMENTS

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,				As of April 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
			(In thousands)			
			(Unaudited)			(Unaudited)
Contracted but not provided for:						
Property development activities[(1)]	470,515	1,512,516	1,404,207	198,834	1,387,386	196,452
Acquisition of land use rights	774,210	—	—	—	—	—
Capital contribution for investments in joint ventures and associates	174,318	197,381	204,116	28,903	70,949	10,046
Total	1,419,043	1,709,897	1,608,323	227,737	1,458,335	206,499

Note:

(1) Calculated based on the total development costs under the signed contracts less the development costs recognized according to the development schedule, excluding indirect development expenses, such as interests.

INDEBTEDNESS

The following table sets forth the outstanding amounts of our current and non-current borrowings and lease liabilities as of the dates indicated:

	As of December 31,				As of April 30,	
	2017	2018	2019		2020	
	RMB	RMB	RMB	US$	RMB	US$
			(In thousands)			
			(Unaudited)			(Unaudited)
Current						
Bank loans — secured	1,342,429	—	—	—	—	—
Other loans — secured	530,000	1,916,834	799,499	113,208	699,000	98,978
Other loans — unsecured	—	97,000	—	—	—	—
Current portion of long term bank loans — secured	305,000	957,000	1,871,671	265,027	113,000	16,001
Current portion of long term other loans — secured	148,358	64,000	1,572,078	222,605	1,687,042	238,883
Lease liabilities	302	3,716	34,307	4,858	33,495	4,743
Total current	2,326,089	3,038,550	4,277,555	605,697	2,532,537	358,605

	As of December 31,				As of April 30, 2020	
	2017	2018	2019			
	RMB	RMB	RMB	US$	RMB	US$
			(In thousands)			
			(Unaudited)			(Unaudited)
Non-current						
Bank loans — secured	2,410,000	2,578,713	374,000	52,958	1,114,000	157,741
Other loans — secured	461,020	1,845,366	2,149,009	304,297	1,975,987	279,798
Lease liabilities	96,393	110,006	82,357	11,662	82,396	11,667
Total non-current	2,967,413	4,534,085	2,605,366	368,917	3,172,383	449,206
Total	5,293,502	7,572,635	6,882,921	974,614	5,704,920	807,811

Interest-bearing Bank and Other Borrowings

Our borrowings are all denominated in Renminbi. Our other loans include loans from independent third parties, asset management and trust financing arrangements.

The following table sets forth the maturity profiles of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,				As of April 30, 2020	
	2017	2018	2019			
	RMB	RMB	RMB	US$	RMB	US$
			(In thousands)			
			(Unaudited)			(Unaudited)
Bank loans repayable:						
Within one year	1,647,429	957,000	1,871,671	265,027	113,000	16,001
In the second year	2,410,000	2,153,713	260,000	36,816	268,000	37,949
In the third to fifth years, inclusive	—	360,000	49,000	6,938	110,180	15,601
Beyond five years	—	65,000	65,000	9,204	735,820	104,191
	4,057,429	3,535,713	2,245,671	317,985	1,227,000	173,742
Other loans repayable:						
Within one year	678,358	2,077,834	2,371,577	335,813	2,386,042	337,861
In the second year	64,000	855,218	1,298,179	183,821	1,629,842	230,784
In the third to fifth years, inclusive	397,020	990,148	850,830	120,477	346,145	49,014
	1,139,378	3,923,200	4,520,586	640,110	4,362,029	617,659
Total	5,196,807	7,458,913	6,766,257	958,095	5,589,029	791,401

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing bank and other borrowings. We do not use derivative financial instruments to hedge interest rate risk. We manage our 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, our profit before tax, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB10.4 million, RMB11.3 million, RMB8.7 million (US$1.2 million) and RMB4.7 million (US$0.7 million) in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively.

Credit Risk

We divide financial instruments on the basis of shared credit risk characteristics, such as 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, we have 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 our 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. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, we review regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. We have no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity Risk

We aim to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet our operation needs and commitments in respect of property projects. Our 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, including review of the expected cash inflows and outflows, pre-sales/sales results, maturity of our borrowings and the progress of the planned property development projects in order to monitor our liquidity requirements in the short and long terms. We have established an appropriate liquidity risk management framework for our liquidity management requirements to ensure that we maintain sufficient reserves of, and adequate committed lines of funding from, financial institutions to meet our liquidity requirements in the short and long term.

NON-GAAP FINANCIAL MEASURES

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

- fair value change of investment properties;
- recognition of change in fair value of completed properties for sales upon transfer to investment properties;
- impairment loss recognized in respect of goodwill;
- interest income/expense (including those interest expense previously capitalized as assets and currently released to cost of sales and services in the consolidated statement of profit or loss and other comprehensive income);

- amortization of intangible assets;
- non-operating income/expense;
- income tax expense; and
- depreciation.

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

As a measure of our operating performance, we believe that the most directly comparable IFRS measure to EBITDA is profit for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

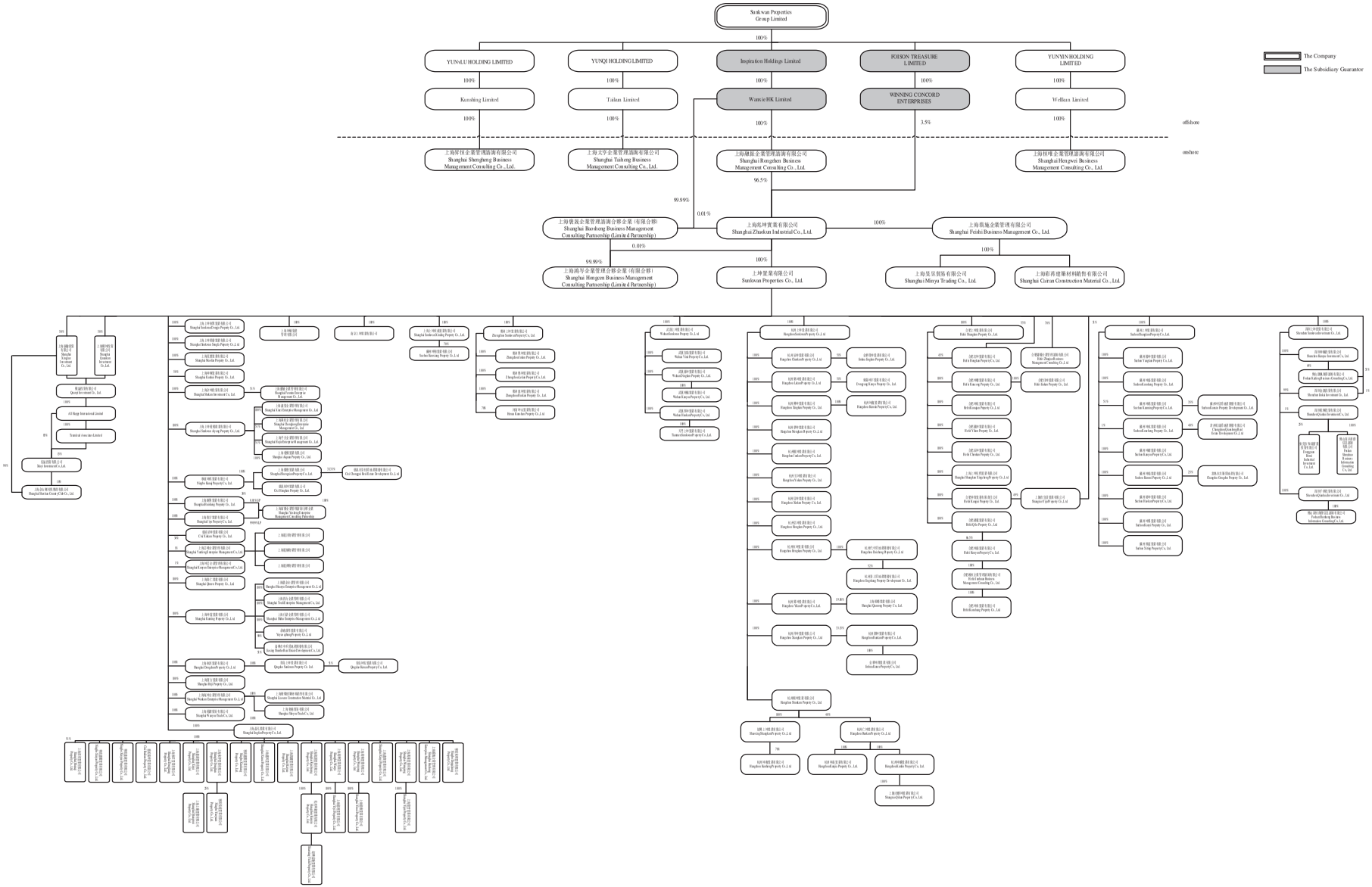
The following table reconciles our profit for the year/period under IFRS to our definition of EBITDA for the periods indicated:

	For the year ended December 31,				Four Months Ended April 30,		
	2017	2018	2019		2019	2020	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(In thousands) (Unaudited)	(Unaudited)		(Unaudited)
Profit before tax	217,782	3,013,142	2,553,505	361,574	433,488	389,518	55,155
Adjustments:							
Interest capitalized	357,216	576,843	745,648	105,583	220,831	240,884	34,109
Finance costs	220,063	281,311	261,734	37,061	70,549	75,454	10,684
Depreciation of property, plant and equipment	2,773	7,760	8,575	1,214	2,868	2,571	364
Depreciation of right-of-use and equipment assets	33	3,765	4,674	662	1,371	1,776	251
Amortization of intangible assets	557	687	904	128	337	339	48
EBITDA	798,424	3,883,508	3,575,040	506,222	729,444	710,542	100,612
EBITDA margin	66.5%	56.7%	47.4%	47.4%	63.3%	61.9%	61.9%

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or period or as an indicator of operating performance or any other standard measure under IFRS. Our definition of EBITDA does not account for income taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

CORPORATE STRUCTURE

The following chart shows our simplified corporate structure as of the date of this offering 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 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 "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 July 31, 2020, our residential properties were located in 14 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 July 31, 2020, we had investment interests in a commercial property portfolio of seven projects under various stages of development, including six projects developed by our subsidiaries and one project developed by our joint venture, and all of which were located in Shanghai. These projects included three completed office buildings, two completed commercial district shopping plazas and two mixed-use commercial property projects under development or held for future development with a total GFA attributable to us of 267,634 sq.m.

Since our inception in Shanghai in 2010, we have been actively seeking suitable property development opportunities to ensure sustainable growth. As of July 31, 2020, we had investment interests in a property portfolio of 49 projects with a total land bank of approximately 4.1 million sq.m. and an aggregate GFA attributable to us of approximately 3.0 million sq.m., of which 33 were developed by us, and 16 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 0.3 million sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 1.6 million sq.m.; and GFA attributable to us for properties held for future development amounted to an aggregate of approximately 0.4 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 16,591 sq.m.; GFA attributable to us for properties under development amounted to an aggregate of approximately 0.7 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. as of July 31, 2020.

With our high-quality property products, operational efficiency, sound development strategies, professional management team and industry recognized brand image, we experienced business expansion in 2017, 2018, 2019 and the four months ended April 30, 2020. We had investment interests in 23, 36, 43 and 49 property projects at various stages of development across five, 11, 14 and 14 cities in China as of December 31, 2017, 2018 and 2019 and July 31, 2020, respectively. Our revenue amounted to RMB1,201.1 million, RMB6,847.4 million and RMB7,535.2 million (US$1,067.0 million) in 2017, 2018 and 2019, respectively, increasing at a CAGR of 150.5%. Our revenue remained relatively stable at RMB1,151.8 million in the four months ended April 30, 2019 and RMB1,148.5 million (US$162.6 million) in the same period in 2020. Our profit for the year amounted to RMB34.6 million, RMB672.9 million and RMB676.9 million (US$95.8 million) in 2017, 2018 and 2019, respectively, increasing at a CAGR of 342.3%. Our profit for the period increased by 126.0% from RMB70.1 million in the four months ended April 30, 2019 to RMB158.4 million (US$22.4 million) in the same period in 2020.

RECENT DEVELOPMENTS

Land Acquisition

Subsequent to April 30, 2020, we have acquired the following major projects. The following table sets forth certain information regarding these projects:

Project names	Location	The Group's equity interest	Property Types	Planned Total GFA	Attributable GFA
				(sq.m.)	(sq.m.)
Foshan Mindcloud	Foshan, Guangdong	100.0%	Residential, Commercial	34,477.4	34,477.4
Hangzhou Mindcloud	Hangzhou, Zhejiang	52.0%	Residential	117,387.6	61,041.6
Suzhou Season	Suzhou, Jiangshu	35.0%	Residential	125,527.0	43,934.5
Wuhu Season	Wuhu, Anhui	49.0%	Residential, Commercial	185,414.1	90,852.9
Hefei Mindcloud	Hefei, Anhui	100.0%	Residential	110,034.9	110,034.9
Fuyang Baolong Village	Fuyang, Anhui	50.0%	Residential, Commercial	80,456.6	40,228.3
Dongyang Mindcloud	Jinhua, Zhejiang	33.2%	Residential, Commercial	99,830.0	33,093.7
Fuyang Zhengwu#1	Fuyang, Anhui	51.0%	Residential, Commercial	210,995.0	107,607.5
Foshan Sunkwan Lakeside Mansion	Foshan, Guangdong	100.0%	Residential, Commercial	132,285.3	132,285.3
Ningbo Crystal Seasons	Ningbo, Zhejiang	65.0%	Residential	97,075.0	63,098.6
Shaoxing Shangyu Parcel	Shaoxing, Zhejiang	100.0%	Residential	78,125.0	78,125.0
Nanjing Xixia Parcel G93	Nanjing, Jiangsu	100.0%	Residential	52,196.0	52,196.1
Shangrao Parcel 170	Shangrao, Jiangxi	100.0%	Residential	114,200.0	114,200.0

Project names	Location	The Group's equity interest	Property Types	Planned Total GFA	Attributable GFA
				(sq.m.)	(sq.m.)
Suzhou Parcel 530.....	Suzhou, Anhui	100.0%	Residential, Commercial	131,211.0	131,211.0
Kunshan Parcel 18.....	Suzhou, Jiangsu	100.0%	Residential	170,752.0	170,752.0
Wuzhen Parcel B4.....	Jiaxing, Zhejiang	30.0%	Residential, Commercial	98,755.0	29,626.5
Henan Xinyang Parcel 1 ...	Xinyang, Henan	70.0%	Residential, Commercial	210,700.0	147,490.0
Henan Xinyang Parcel 2 ...	Xinyang, Henan	70.0%	Residential, Commercial	81,800.0	57,260.0
Henan Xinyang Parcel 6 ...	Xinyang, Henan	70.0%	Residential, Commercial	121,000.0	84,700.0
Total.....				2,252,221.9	1,497,515.2

The Recent Coronavirus Epidemic Outbreak

Toward the end of 2019, public health officials of the PRC informed with World Health Organization, or WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has resulted in an adverse impact on the livelihood of the people in and the economy of the PRC and worldwide.

The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. Since April 2020. China some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors – Risks Relating to Our Business and Industry — 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."

OUR STRENGTHS

We believe the following rising strengths contribute to our growth and distinguish us from our competitors.

A growing property developer originated in Shanghai with a focus in the Yangtze River Delta Economic Region

We are a growing property developer originated in Shanghai, and deeply rooted in the Yangtze River Delta Economic Region. Since the development of our first property project in Shanghai in 2010, we have continued to strengthen our presence in Shanghai. As of July 31, 2020, we had investment interests in a property portfolio of 17 property projects at various stages of development in Shanghai, including 15 property projects developed by us and two by our joint ventures and associates. Our solid presence in Shanghai has contributed to our success given its market size, access to finance, premium land parcels and quality talent pool. We were ranked the 17th among the "2019 Top 20 Shanghai Real Estate Developers" jointly by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal (Shanghai). A number of our projects in Shanghai have also become local landmark projects. For example, according to E-House, Shanghai • Flourish (上海 • 樾山) projects were awarded the sales champion among all other townhouses in Shanghai in both 2017 and 2018. Shanghai • Flourish projects were also awarded the "2018 China Top 10 Residential Project by Brand Value" by China Index Academy and the "Comprehensive Gold Award of Shanghai Outstanding Residences" by Shanghai Real Estate Trade Association in 2018.

Leveraging our experience in the real estate market in Shanghai and our regional market position, we have continued to expand our footprint nationwide, with a focus in the Yangtze River Delta Economic Region. As of July 31, 2020, we had investment interests in a property portfolio of 39 property projects at various stages of development in the Yangtze River Delta Economic Region, including 28 property projects developed by us and 11 by our joint ventures and associates. Our strong and growing presence in Shanghai, Ningbo and Suzhou are testament to our strength and commitment in the Yangtze River Delta Economic Region, and substantial growth potential to further penetrate and expand in other strategically selected regions, namely the Pearl River Delta Economic Zone and the Mid-China Core Economic Region. Our ranking increased 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 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 "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.

Quality land bank acquired through diversified channels in regions with growth potential to fuel our future development

We strategically select and acquire quality land parcels for development focusing on the sustainable growth of our business. Prior to acquiring a parcel of land, we conduct thorough research and assessment of potential land parcels based on market demand, financial data and rate of return. Most of our land parcels are in prime locations with significant population inflow in the first-, second- and strong third-tier cities which we believe have high growth potential. For example, we acquired a land parcel in Shanghai which neighbors Sheshan (佘山) and is within reasonable proximity to convenient transportation, abundant educational resources, recreational centers and other complementary facilities.

Furthermore, our effective multifold land acquisition methods have been a key contributor to our success, which include public tender, auction or listing-for-sale, cooperation with third-party business partners through joint ventures and associates, or acquiring equity interests in companies that possess land use rights. Leveraging our market insights and in-depth understanding of the real estate industry and property development market dynamics, we have been able to identify and acquire quality land bank at reasonable costs, seize the opportunities from the regional market cycles and achieve a high rate of return on our land acquisition. As a result of our brand reputation and regional land resources, we have established long-term business partnerships with a number of quality property developers in the Yangtze River Delta Economic Region. We have also expanded our business partnerships in other core economic regions, further enhancing awareness of our brand and reputation. Our cooperation with reputable property developers in China contributed to the development of some of our residential property projects, such as Shanghai • Sunkwan Cifi Villas and Jinhua • Dongyang Metropolis, for which we received positive market feedback. In addition, by gradually expanding to different regions, we are able to reduce our risk exposure to any particular region by diversifying our land bank portfolio.

As of July 31, 2020, we had a total land bank of approximately 4.1 million sq.m. and an aggregate GFA attributable to us of approximately 3.0 million sq.m that was strategically located in 14 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 the Mid-China Core Economic Region. As of July 31, 2020, we had completed properties available for sale or leasable with an aggregate GFA attributable to us of approximately 0.3 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 2.3 million sq.m. and properties held for future development with an aggregate GFA attributable to us of 0.4 million sq.m. As of July 31, 2020, our land bank was sufficient for development in the next two to three years and we believe that our property projects' quality and strategic positioning will provide us with a strong foundation and support for our long-term sustainable growth.

Well-rounded development and operational capabilities with standardized property development procedures to facilitate efficient operation

The real estate industry is highly capital-intensive and typically requires substantial capital outlay during the construction period but may take a long period of time before any revenue can be generated through the sales and delivery of completed projects. In order to tackle such obstacles and balance progressivity and stability, we have established a dynamic full process operation system which covers the full spectrum of the property development cycle from market analysis, site selection, land acquisition, project planning and design, construction and quality control to sales and marketing and customer services to facilitate efficient operation and ensure consistent high quality and cost control of our projects. For each project, we formulate a detailed development plan which includes a breakdown of key work streams for each stage over the life cycle of a project, with the targeted timeframe and clear delegation of responsibilities among all responsible personnel based on our operation experience. We also issue internal guidance and policies from time to time to ensure uniform practice from our employees.

As part of our operations management, in the front-end of the property development cycle, instead of merely involving our investment personnel, our operation personnel are also brought in to provide insights on market analysis, site selection and land acquisition and aid the decision making process from the perspective of product designing, development planning, product pricing and help facilitate real-time analysis on the property valuation before we acquire the property.

Our full process of standard operating procedures and capabilities allow us to efficiently manage and oversee the progress of our projects, and help enhance our operational efficiency. As a testament to our successful implementation of property development procedures, we had not experienced any delay in delivering our products. In addition, our average cycle for residential property sale in first- and second-tier cities, defined as the period from commencement of construction to sales or pre-sales of the project, is 6.4 months, surpassing the PRC real estate industry benchmark average of 9.6 months, according to E-House. With our abundant management experience utilizing these standard operating procedures, we are able to implement our business expansion plans to increase geographical coverage and penetration rate and replicate our success in new markets.

An established track record and reputation in developing customer-oriented high-quality residential properties

Since the commencement of our business through our first property project in Shanghai in 2010, our focus on and dedication in developing residential properties that cater to the needs of a wide range of customers has been a key contributor to our success.

To implement our design and market positioning strategy more effectively and efficiently, and to develop quality properties with comfortable, convenient, healthy and smart living environment for customers of all ages, we divide our residential property products into four standardized product series. Our Seasons series (四季系) features architectural elements of the four seasons and targets mainly first-time home buyers and first-time home upgraders. Our Flourish/Peninsula series (樾山/半島系) and Mindcloud series (雲系) are developed for first- and second-time home upgraders while featuring either mountain or lakeside views or metropolitan elements. Our Sumptuous Series (S系) mainly locate in central urban areas or near natural resources developed for luxury home upgraders and luxury home buyers. Instead of merely providing housing, we pride ourselves in our customer-oriented design philosophy that cares for the details and aims to bring our customers a holistic living experience. In each standardized series, our in-house product design and development team strives to develop creative and versatile products that best suit the needs of our customers. We collaborate with reputable third party architectural and design firms, such as Lacime Architects Co., Ltd., HIC Urban Planning & Architecture Design Co., Ltd., Shanghai TONTSEN Architecture Design Co., Ltd. and Goettsch Partners Architecture Co., Ltd., to prepare detailed plans and design drawings based on our master planning and design specifications.

Moreover, we go above and beyond to stand out from the crowd in the highly competitive real estate market by incorporating the "5U product standard" design philosophy, which emphasizes on space, green ecology, interior design, management services, and home automation. We aim to create a safe, comfortable, convenient, green, healthy and fun living experience for our customers. For instance, we have incorporated new technologies and smart home devices into our properties, such as facial recognition, license plate recognition devices, security cameras and electronic fencing systems operating 24-7 to support community safety and security. We adopt healthy and green building designs which incorporate energy saving features, including temperature control system, ventilation system and thermal insulation, to optimize energy efficiency. Furthermore, we address the entertainment needs of our customers by offering common entertainment areas comprising facilities such as cafés, bars, clubhouses and pet care areas. We also intend to offer an "all age community system" equipped with gyms, health care centers and restaurants with barrier-free facilities to address the needs of our customers of all ages.

Leveraging our knowledge and insights into market trends and customer preferences, our products have been well-received by customers. For example, in 2020, our Mindcloud series was awarded "2020 TOP 10 Ingenuous and Aesthetic Real Estate Product Series in China" by Leju News. Our Seasons series 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. As a result of our customer-oriented high-quality residential properties and strong brand recognition, we are able to command pricing premium in our projects that incorporate our standardized features.

Development of commercial properties generating long-cycle profitability and sustainable growth

Our strong business growth in our years of operations across geographies and products can be attributed to the successful implementation of our strategic plans. In particular, we maintain a balanced business model that creates valuable synergies between our commercial and residential property projects and various product series. As of April 30, 2020, all of our commercial properties were located in Shanghai. Shanghai is the core city in the Yangtze River Delta Economic Region and the ASP of commercial property increased from RMB20,481 per sq.m. in 2013 to RMB37,100 per sq.m. in 2019, representing a CAGR of 10.4%, according to E-House. Our commercial properties bring us stable rental income that supplements the cash flow of our residential property development and mitigates risks associated with the residential property development, such as price-volatility and schedule-related uncertainty. In 2017, 2018, 2019 and the four months ended April 30, 2020, the total property lease income generated from our completed commercial properties amounted to RMB32.0 million, RMB52.2 million, RMB63.9 million (US$9.0 million) and RMB16.5 million (US$2.3 million), respectively.

As of July 31, 2020, we had five completed commercial property projects, including two shopping malls and three office buildings. The average occupancy rate of these completed commercial property projects was approximately 88.4% with an aggregate GFA attributable to us of 63,970 sq.m. as of July 31, 2020. We also had two commercial property projects under development or held for future development, and the total GFA attributable to us of these commercial properties under our management was approximately 207,222 sq.m. as of July 31, 2020. All of our commercial properties were located in Shanghai at locations with convenient transportation mainly to satisfy the needs of our residents living in the neighborhood and improve their living experience. Our successful expansion into the commercial property market by introducing high-end mixed-use complex, including shopping plazas, hotels, office buildings and reconstruction zones, has acted as a good supplement to our residential projects and contributed significantly to our growth.

With years of accumulated experiences, our property products have been well recognized by the market. For example, our signature commercial complex Shanghai • Sunkwan Center received "Leadership in Energy and Environmental Design (LEED-LC) Gold Certification" from U.S. Green Building Council and "Best Culture and Creativity Complex" by Global Business Engine Forum for Architecture in 2019, and it was named the "Most Anticipated Creative Commercial Property Complex" by winshang.com in 2020.

We believe that owning a portfolio of both residential and commercial properties will allow us to accumulate valuable experience in property operation and management, and further enhance our competitiveness.

Visionary, professional, experienced management team and highly motivated employees

Our success has been, and will continue to be, dependent on the continuous service of our visionary, professional and experienced management team with an in-depth understanding of the real estate industry in China, and strong execution capabilities. Our senior management members have on average over 15 years in the real estate industry in China with extensive experience and expertise in their respective fields, which covers all the key aspects of our operation, including property development, construction engineering and designing, finance, accounting and management. In particular, our founder and president, Ms. Zhu Jing, has over 17 years of experience in the real estate industry in China. She oversees our business and is responsible for overall strategic planning, corporate management and business development. She was recognized as 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. During the ten years of our operations, our senior management team has been relatively stable, who have spent on average five years with us. Under the leadership of our dedicated management team with their diversity of knowledge and expertise, we are able to execute our strategies to drive our continued growth in the highly competitive real estate industry in China.

Our employees are also essential to the success of our business and we are committed to attracting, cultivating and retaining talent with substantial expertise in property development, product design, sales and marketing and other relevant industries. To attract quality talent, in addition to proactively recruiting from reputable universities, competitive peer companies, and leading enterprises in various fields, we also provide our employees with various continuing development opportunities to enhance their abilities and expand their experiences.

OUR STRATEGIES

Adhering to our mission of "coming for livable (為宜居而來)," we strive to become a leading residential and commercial property developer in China and a premium urban life service provider (城市優質生活服務商). We intend to achieve our goal by pursuing the following strategies:

Continue to further penetrate existing markets and expand into new regions by proactively executing our regional development strategy

In order to seize opportunities arising from urbanization, favorable government opportunities and rising standards of living, and to enhance our market position and brand recognition, we have selected strategic regional zones, namely the Yangtze River Delta Economic Region, the Pearl River Delta Economic Region and Mid-China Core Economic Region. We will continue to deepen our penetration in these targeted regions by gradually fanning out and further penetrating the nearby first-, second- and strong third-tier cities that we have entered or identified with high growth potential.

Specifically, we intend to enhance our market presence in the Yangtze River Delta Economic Region, the largest economic circle in China featuring highly developed property markets. Our strategic focus and deep roots in Shanghai have enabled us to gain deeper understanding of the local and nearby markets, customer preferences and urban planning and zoning trends. We intend to continue to focus on Shanghai and explore nearby hub cities, such as Nanjing, Ningbo and Changzhou, and eventually develop a majority of our property projects in the Yangtze River Delta Economic Region. We also intend to develop other property projects in each of the Pearl River Delta Economic Region and Mid-China Core Economic Region. In these two regions, we will place emphasis on hub cities, such as Shenzhen, Guangzhou, Foshan, Wuhan and Zhengzhou. Furthermore, in addition to our existing three strategic regional zones mentioned above, we will at the same time look for suitable opportunities in other cities and regions, such as Qingdao. In the process of development and expansion, we have established strong business relationships with local business partners, including construction contractors and suppliers.

In addition, we intend to strategically expand our commercial property portfolio to increase recurring rental income and capture potential capital appreciation, benefitting from rapid urbanization and strong economic growth in China. Therefore, in the next five years, we will continue to focus on the development of both residential and commercial properties in order to have more flexibility in light of macro-control and changes in the real estate industry. For our commercial property projects, we will steadily follow the footprint of our residential projects and focus on premium assets in Shanghai and other first-tier cities, and increase investment value through our strong operational capabilities. We believe that further developing and expanding these commercial properties will diversify our income and promote business heterogeneity, thereby spreading the risks we face in the residential property market and bringing about a comprehensive development of business and service offerings. We will continue to conduct our city and site selection process with reference to industry cycle and market researches to ensure the cities and sites we enter or plan to enter have significant growth potential in terms of market size and share. Furthermore, our multifold investment strategy will continue to enable us to quickly react to changing market conditions and acquire land parcels at relatively low cost.

Continue to enhance competitiveness of our customer-oriented product offerings with high quality

On top of further developing our successful and scalable standardized product designs and development models under each product series to help accelerate the overall property development process and sell-through rate, we also diversify our product series offering based on specific preferences and demands of our target customers with different purchase powers in various age groups. We will also fine-tune our products for different geographical regions with different weather and land conditions. Specifically, in terms of customer profile, we will maintain our product offerings primarily for first-time home buyers and upgraders while also targeting high-end home upgraders. In terms of product types, we will primarily offer standardized products with supplement of benchmark innovative products to achieve a balance in quality and efficiency.

Furthermore, we place high emphasis on product quality as it is closely linked with our customers' living experience and hence our brand image. Our standardized product designs and development models come with strict, standardized and regular quality control measures, which we will continue to enhance to ensure our future products will maintain a consistent and high quality. Our focus on quality will continue to enable us to

differentiate our properties and achieve favorable sales and more importantly, to associate our brand with quality and customer satisfaction. We will continuously pay close attention and quickly respond to customers' pain points after delivery through our patient and experienced employees, leveraging our established property upgrade capabilities to achieve constant customer satisfaction and provide them with better living quality to build our brand image and increase customer loyalty.

In addition, in light of the changes in population structure, demands and preferences for housing, we anticipate that post-90s and post-00s will soon become our major target customers. Taking the preferences of these generations into consideration, we intend to further develop our current smart home technologies and integrate more smart home products and intelligent features into our community. We believe such efforts will enable us to further augment our brand equity, which will serve to amplify the value of our properties and increase customer satisfaction and loyalty.

Continue to increase operational efficiency and optimize cost structure

While we pursue our growth expansion strategies, we also focus on increasing our operational and cash flow utilization efficiency from our headquarters to construction sites and sales offices, and through the entire operation cycle of our business, including land acquisition, construction, sales, receivables collection and financing.

We have established a sound institutional system to achieve standardized operations. In order to further improve our operational efficiency and develop fast property product delivery capabilities, we seek to continue to streamline our management structure, reduce decision-making and execution time. At the same time, we have collaborated with third party software developers to develop and maintain an information technology system and data center used in the management of our property development projects. The system enables us to collect information to monitor and coordinate our operations, including site selection, land acquisition, raw material procurement, cost structure, design and construction process. We intend to further develop this information system into a one-stop fully automated system with data visualization features which will not only cover data from our subsidiaries but also our joint ventures and associates. We believe such one-stop automated system will further enhance our operational efficiency, and better consolidate our customers' data, including their preferences and satisfaction rates, which will allow us to edit our design and construction templates and dynamically adjust our property development plans to better fulfill our customers' needs.

Moreover, going forward, we plan to continue to enhance our financial policies, improve our capital structure and strictly monitor our financial indicators. We will strive to utilize our working capital more efficiently and ensure sufficient level of cash flow before pursuing land acquisition opportunities. Additionally, we endeavor to shorten our project development cycle through standardization to increase our turnover rate and to improve our operational efficiency while maintaining our high quality standards. We will review our gearing ratio periodically and closely monitor our indebtedness level. We will continue to closely monitor the maturity profiles of our borrowings and manage our liquidity level to ensure sufficient cash flow to service our indebtedness and meet cash requirements arising from our business.

Continue to attract, retain and motivate skilled and talented employees

High-quality employees and management talents, who value our corporate culture and respect our management philosophies, are essential to our sustainable growth and future success. We intend to continue to attract and retain skilled and talented employees from various channels, including recruiting from reputable universities, competitive peer companies and leading enterprises in various fields, by providing valuable training programs, competitive compensation packages and effective performance based evaluation and incentive system to reinforce our corporate values and align their goals with our success so as to foster greater loyalty.

In addition, while maintaining high efficiency in vertical decision making, we will continue to adhere to our management philosophy that encourages entrepreneurial spirit collaboration, and leadership among the employees at the front line of our business operations. We plan to gradually granting more authorization to our regional project companies and regional managers, which will stimulate deeper market penetration as well as increase greater loyalty and job satisfaction, engagement and commitment to work among employees, thus contributing to the effective execution of our business expansion strategies and the success of our projects.

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 July 31, 2020, our property projects were located in 14 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.

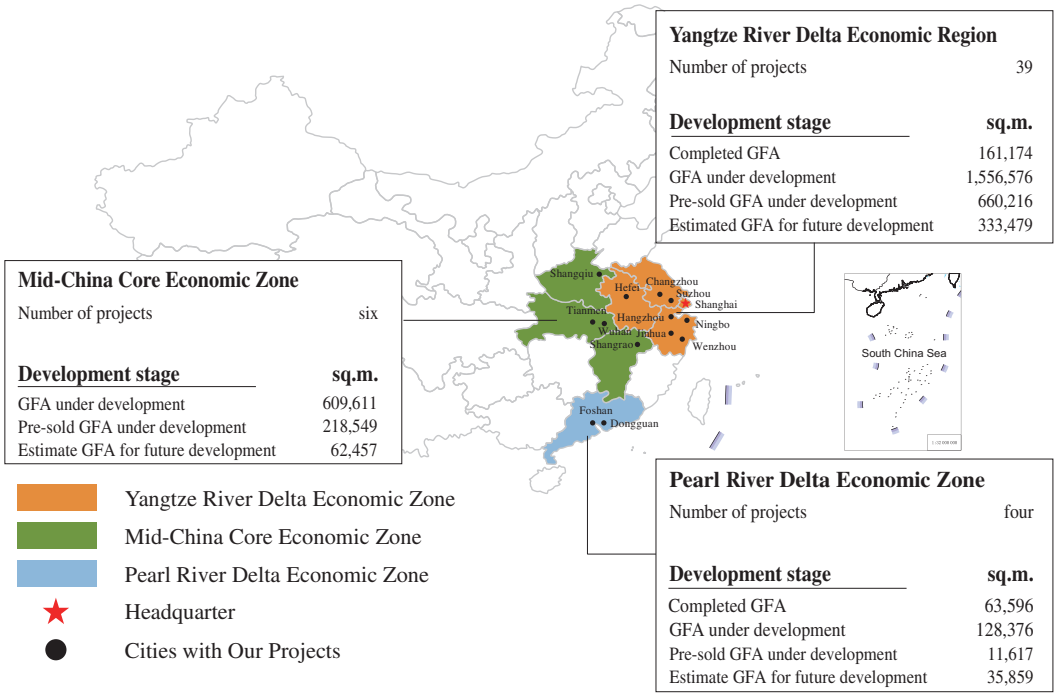
We have a diverse property portfolio with a focus on residential properties, and gradually reaching to a variety of commercial and mixed-use properties. Our residential properties primarily include low- and high-rise apartment buildings, townhouses, houses and loft apartments. To implement our design 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 April 30, 2020, we had investment interests in a commercial property portfolio of seven projects under various stages of development, including six projects developed by our subsidiaries and one 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 July 31, 2020, we had an aggregate GFA attributable to us of approximately 3.0 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 July 31, 2020, we had investment interests in a property portfolio of 49 projects, including 33 projects developed by our subsidiaries and 16 projects developed by our joint ventures and associates. As of July 31, 2020, we had an aggregate GFA of 2.3 million sq.m. for properties developed by our subsidiaries, comprising (i) GFA available for sale of approximately 0.2 million sq.m., (ii) leasable GFA of approximately 0.1 million sq.m., (iii) GFA under development of approximately 1.6 million sq.m. and (iv) estimated GFA for future development of approximately 0.4 million sq.m. As of the same date, we had an aggregate GFA attributable to us of approximately 0.8 million sq.m. for properties developed by our joint venture and associates, comprising (i) GFA available for sale of approximately 16,591 sq.m., (ii) GFA under development of approximately 0.7 million sq.m. and (iii) estimated GFA for future development of approximately 0.1 million sq.m. In particular, as of July 31, 2020, we had completed investment properties with an aggregate GFA attributable to us of approximately 63,970 sq.m., investment properties under development with an aggregate GFA attributable to us of approximately 52,256 sq.m., and investment properties held for future development with an aggregate GFA attributable to us of approximately 158,060 sq.m.

Furthermore, we had pre-sold GFA attributable to us of 90,114 sq.m., 270,755 sq.m., 681,930 sq.m. and 123,897 sq.m. in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. We also received proceeds from pre-sales of properties of RMB5,377.1 million, RMB4,123.3 million, RMB10,981.8 million (US$1,555.0 million) and RMB1,408.2 million (US$199.4 million), and generated revenue from sales of properties of RMB1,169.1 million, RMB6,789.1 million, RMB7,449.2 million (US$1,054.8 million) and RMB1,124.2 million (US$159.2 million) in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively.

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 July 31, 2020:



Voting Right Arrangements

As of July 31, 2020, we had investment interests in a property portfolio of 49 projects, including 33 projects developed by our subsidiaries and 16 projects developed by our joint ventures and associates. Among the 33 property projects developed by our subsidiaries, 18 were developed by a total of 11 project companies in which we held no more than 50% of the equity interest. We are 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.

Under the voting right arrangements, our business partners agreed that we are entitled to, by way of amending the articles of association of the relevant project companies or entering into the voting right entrustment agreements with us, exercise a majority of the voting rights in the shareholders' meetings and control the board of directors, which also give us the ability to exercise control over financial and business decisions and daily operations of the relevant project companies.

As of July 31, 2020, these 18 property projects had an aggregate GFA of 1,752,406 sq.m., accounting for approximately 46.8% of the total GFA attributable to us. These property projects were at various stages of development as of July 31, 2020, including nine completed projects with a total GFA attributable to us of 709,357 sq.m., seven projects under development with a total GFA attributable to us of 874,181 sq.m. and two projects held for future development with a total GFA attributable to us of 168,868 sq.m.

Certain particulars of the 11 project companies for which we maintained or entered into voting right arrangements up to July 31, 2020 are set forth in the table below.

Project Company	Project Name	Effective Equity Interest	Voting Rights Held by the Group	Total GFA[(2)]	% of Total Land Bank Attributable to Us
		As of July 31,	As of July 31,	As of July 31,	As of July 31,
		2020	2020	2020	2020
				(in sq.m.)	(%)
Shanghai Kunhui Property Co., Ltd.	Shanghai • Sunkwan Cifi Villas	50.0	51.0	90,323	2.4
Shanghai Sheshan Country Club Co., Ltd.	Shanghai • Flourish projects[(4)]	50.0	51.0	644,106	17.2
Changshu Gongzhu Property Co., Ltd.	Suzhou • Changshu Phoenix Garden	50.0	51.0	46,789	1.2
Cixi City Chonggui Property Development Co., Ltd.	Ningbo • Cixi Cloud Mansion	33.3	56.7	97,008	2.6
Cixi Xingkun Property Co., Ltd.	Ningbo • Cixi Riverview Mansion	34.0	51.0	130,776	3.5
Cixi Hengkun Property Co., Ltd.	Ningbo • Cixi Phoenix Mansion	30.0	60.0	131,225	3.5
Dongyang Kunyu Property Co., Ltd.	Jinhua • Dongyang Metropolis Seasons	38.3	75.0	139,744	3.7
Dongguan Herui Industrial Investment Co., Ltd.	Dongguan • Champagne Garden	25.0	51.0	86,518	2.3
Ningbo Yueyuan Property Co., Ltd.	Ningbo • Cixi Gracious Mansion	25.0	75.0	61,923	1.7
Changzhou Qiansheng Real Estate Development Co., Ltd.	Changzhou • Mindcloud Peakview	40.0	51.0	198,486	5.3
Suzhou Kunxin Property Development Co., Ltd.	Suzhou • Lakeview Seasons	35.0	51.0	125,510	3.4
Total				**1,752,406**	**46.8**

Notes:

(2) A hundred percent of the total GFA is attributable to the Group since the voting right arrangements give us the ability to exercise control over financial and business decisions and daily operations of the relevant project companies, and these project companies were accounted for as our subsidiaries and were consolidated into our financial statements in accordance with IFRS.

(4) Shanghai • Flourish projects consisted of eight property projects, namely Shanghai • Sunkwan Flourish Seasons, Shanghai • Sunkwan Flourish Villas, Shanghai • Sunkwan Flourish Peninsula, Shanghai • Future Land Flourish Jade, Shanghai • Future Land Flourish Moon, Shanghai • Future Land Flourish Peninsula, Shanghai • Flourish Project 06-08 and Shanghai • Flourish Project 08-06 & 08-08.

The business partners which had the voting right arrangements with us are independent third parties (other than their interests in the relevant project companies), with a majority being renowned property developers. We partnered with property developers to jointly develop property projects so that we could leverage their network, market reputation and industry experience. We also established such arrangements with some entities other than property developers, which are mainly local construction companies that intend to participate in the relevant local real estate market, in a limited cases where we can utilize such business partners' capital investment and their experience in construction and operations in the local market while they can receive desired return by leveraging our brand name, industry expertise and experience and other property development resources.

Although we held no more than 50% of the equity interest in those property companies, we still planned to control the property development to ensure consistent quality of our products and services and to enlarge our market penetration and further increase our market recognition. Therefore, we negotiated with our business partners so that we could exercise control over the relevant property companies' operations and development activities. As a result, we could exercise our judgment in the overall interests of the property project development by holding majority voting rights, varying from 51% to 75%, in the relevant project companies. We believe that such cooperation strategy was mutually beneficial for both our business partners and us.

Our voting right entrustment agreements and articles of association of relevant project companies set out the general rights and obligations of the board of directors, the shareholders' meeting, and the duties and responsibilities of the management to the board of directors and to the company. For example, the general manager, who is typically recommended by us and appointed by the board of directors of the relevant project company, is responsible for the day-to-day business operations of the project company. The board of directors, on the other hand, is in charge of reviewing and approving budget plans, profit-sharing plans and cost distribution plans proposed by the management on the basis of arm's length negotiation between our business partners and us. In general, pursuant to the business cooperation agreements we entered into with relevant business partners, we are entitled to appoint the majority of the directors of relevant project companies. Where our right to appoint majority of directors in the relevant project companies is not available through the business cooperation agreements, we also entered into power of attorney agreement or concert party agreement with directors appointed by our business partners so as to acquire additional director voting rights and thus ensure our control over board of directors of relevant project companies.

Furthermore, as stipulated in a majority of our voting right entrustment agreements, the voting right arrangements may not be revoked or terminated without prior consent of both parties, unless 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, in which case our business partner may demand in writing to terminate the agreement unilaterally. On the other hand, in the event that our business partner breaches or fails to perform its contractual obligations as set out in the relevant voting right entrustment agreement, such as unilaterally terminating the agreement without reasonable causes in accordance with the agreement or failing to act in concert with us at the shareholders' meetings, we will be entitled to exercise the power of compulsory acquisition and assume ownership of our business partner's equity interests in the relevant project company at prevailing market price. Accordingly, through the abovementioned contractual terms, we can exercise effective control over both financial and business decisions and daily operations of the relevant project companies.

As of the date of this offering memorandum, we were not involved in any disputes with our business partners under the voting right arrangements that had a material adverse effect on our business, financial condition and results of operations. Going forward, given our increasing industry experience and market reputation in the real estate industry, we intend to gradually increase our equity interests in our property projects so as to further nurture our operational capability and grow our business.

In the future, we will continue with our flexible but cautious approach towards business cooperation with other parties taking into account prevailing market conditions, our development goals and financial conditions.

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 April 30, 2020, 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 July 31, 2020, 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 July 31, 2020 in terms of geographic location:

		Completed		Under Development		Future Development		
	Number of Projects	GFA Available for Sale[1]	Leasable GFA	Pre-sold 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.)	(in sq.m.)	
Property Projects Developed by Our Subsidiaries								
Yangtze River Delta Economic Region								
Shanghai	15	126,714	68,900	—	—	168,868	364,482	12.0%
Hangzhou	2	—	—	117,408	178,140	164,611	342,751	11.3%
Ningbo	4	17,318	—	178,016	323,924	—	341,242	11.3%
Suzhou	3	551	—	—	125,510	—	126,061	4.2%
Hefei	1	—	—	43,311	74,867	—	74,867	2.5%
Jinhua	2	—	—	181,808	263,821	—	263,821	8.7%
Changzhou	1	—	—	58,586	198,486	—	198,486	6.6%
Sub-total	**28**	**144,583**	**68,900**	**579,128**	**1,164,748**	**333,479**	**1,711,710**	**56.7%**
Mid-China Core Economic Region								
Shangrao	1	—	—	104,317	271,084	—	271,084	9.0%
Tianmen	1	—	—	65,147	102,682	—	102,682	3.4%
Sub-total	**2**	**—**	**—**	**169,464**	**373,766**	**—**	**373,766**	**12.4%**

	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	Pre-sold GFA	GFA Under Development	Estimated GFA for Future Development		
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	
Pearl River Delta Economic Zone								
Dongguan	1	63,596	—	855	21,628	—	85,224	2.8%
Foshan	2	—	—	10,762	67,384	35,359	103,243	3.4%
Sub-total	**3**	**63,596**	**—**	**11,617**	**89,011**	**35,359**	**188,467**	**6.3%**
Total	**33**	**208,179**	**68,900**	**760,209**	**1,627,526**	**369,338**	**2,273,943**	**75.3%**
Property Projects Developed by Our Joint Ventures and Associates								
Yangtze River Delta Economic Region								
Shanghai	2	—	—	4,013	74,338	—	74,338	2.5%
Hangzhou	1	—	—	18,271	27,799	—	27,799	0.9%
Ningbo	2	—	—	37,126	64,292	—	64,292	2.1%
Suzhou	4	16,591	—	11,187	131,924	—	148,515	4.9%
Wenzhou	2	—	—	10,491	93,475	—	93,475	3.1%
Sub-total	**11**	**16,591**	**—**	**81,088**	**391,828**	**—**	**408,419**	**13.5%**
Mid-China Core Economic Region								
Wuhan	1	—	—	—	24,912	—	24,912	0.8%
Shangqiu	3	—	—	49,084	210,933	62,457	273,390	9.1%
Sub-total	**4**	**—**	**—**	**49,084**	**235,845**	**62,457**	**298,302**	**9.9%**
Pearl River Delta Economic Zone								
Foshan	1	—	—	—	39,365	—	39,365	1.3%
Sub-total	**1**	**—**	**—**	**—**	**39,365**	**—**	**39,365**	**1.3%**
Attributable Total	**16**	**16,591**	**—**	**130,172**	**667,308**	**62,457**	**746,086**	**24.7%**
Land Bank Attributable to Us	**49**	**224,771**	**68,900**	**890,381**	**2,294,564**	**431,794**	**3,020,029**	**100.0%**
Total Land Bank	**49**	**287,889**	**68,900**	**1,301,567**	**3,287,469**	**484,999**	**4,129,257**	

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.

The following table sets forth the GFA breakdown of our property portfolio as of July 31, 2020 in terms of types of properties:

	GFA Available for Sale[1]	Leasable GFA	Pre-sold 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.)	(in sq.m.)	
Property Projects Developed by Our Subsidiaries							
Residential	73,081	—	742,470	1,147,046	140,629	1,360,756	45.2%
Commercial	8,466	58,826	7,292	46,272	116,395	229,959	7.5%
Ancillary areas	—	—	—	35,405	11,144	46,549	1.4%
Car parks	126,632	10,074	10,447	398,802	101,170	636,679	21.2%
Total	**208,179**	**68,900**	**760,209**	**1,627,526**	**369,338**	**2,273,943**	**75.3%**
Property Projects Developed by Our Joint Ventures and Associates							
Residential	16,591	—	126,368	422,248	46,818.5	485,658	16.1%
Commercial	—	—	483	35,444	—	35,444	1.2%
Ancillary areas	—	—	—	14,675	756	15,431	0.5%
Car parks	—	—	3,321	194,671	14,882	209,554	6.9%
Attributable Total	**16,591**	**—**	**130,172**	**667,038**	**62,457**	**746,086**	**24.7%**
Land Bank Attributable to Us	**224,771**	**68,900**	**890,381**	**2,294,564**	**431,794**	**3,020,029**	**100.0%**
Total Land Bank	**287,889**	**68,900**	**1,301,567**	**3,287,469**	**484,999**	**4,129,257**	

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 July 31, 2020.

Item	Projects	Site Area[1]	Completed				Under Development			Future Development		Group's Interest in the Project as of Valuation Date[16]
			GFA Sold and Delivered[6]	GFA Available for Sale[7]	Leasable GFA	Total GFA Completed[8]	Saleable GFA[9]	Pre-sold GFA[10]	Total GFA Under Development[11]	GFA with Land Use Right Not Yet Obtained[12]	Total Estimated GFA for Future Development[13]	
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(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												
1.	Shanghai • Sunkwan Mangrove Bay	26,951	52,218	—	—	60,508	—	—	—	—	—	100.0
2.	Shanghai • Sunkwan Cifi Villas	61,187	81,006	—	—	90,323	—	—	—	—	—	50.0[17]
3.	Shanghai • Sunkwan Flourish Seasons	20,393	37,958	6,891	—	48,747	—	—	—	—	—	50.0[17]
4.	Shanghai • Sunkwan Flourish Villas	54,426	45,871	27,272	—	82,238	—	—	—	—	—	50.0[17]
5.	Shanghai • Sunkwan Flourish Peninsula	112,123	92,795	64,094	—	171,436	—	—	—	—	—	50.0[17]
6.	Shanghai • Future Land Flourish Jade	30,228	64,774	12,606	—	80,779	—	—	—	—	—	50.0[17]
7.	Shanghai • Future Land Flourish Moon	48,297	53,800	9,046	—	64,575	—	—	—	—	—	50.0[17]
8.	Shanghai • Future Land Flourish Peninsula	16,264	18,696	3,245	—	27,463	—	—	—	—	—	50.0[17]
9.	Shanghai • Flourish Project 06-08	7,090	—	—	—	—	—	—	—	—	10,808	50.0[17]
10.	Hangzhou • Sunkwan Majestic Seasons	55,202	—	—	—	—	117,408	117,408	178,140	—	—	100.0
11.	Hangzhou • Mindcloud Imperial Garden	53,358	—	—	—	—	—	—	—	164,611	—	52.0
12.	Ningbo • Cixi Cloud Mansion	36,332	63,569	17,318	—	97,008	—	—	—	—	—	33.3[17]
13.	Ningbo • Cixi Phoenix Mansion	43,483	—	—	—	—	113,119	88,933	131,225	—	—	30.0[17]
14.	Ningbo • Cixi Riverview Mansion	44,282	—	—	—	—	105,962	84,817	130,776	—	—	34.0[17]
15.	Ningbo • Cixi Gracious Mansion	28,002	—	—	—	—	43,178	4,265	61,923	—	—	25.0[17]
16.	Jinhua • Dongyang Metropolis	28,585	—	—	—	—	110,385	96,348	124,078	—	—	51.0

Item	Projects	Site Area[1]	Completed				Under Development			Future Development		Group's Interest in the Project as of Valuation Date[16]
			GFA Sold and Delivered[6]	GFA Available for Sale[7]	Leasable GFA	Total GFA Completed[8]	Saleable GFA[9]	Pre-sold GFA[10]	Total GFA Under Development[11]	GFA with Land Use Right Not Yet Obtained[12]	Total Estimated GFA for Future Development[13]	
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(%)
17.	Jinhua • Dongyang Metropolis Seasons	54,097	—	—	—	—	107,780	85,460	139,744	—	—	38.3[17]
18.	Suzhou • Sunkwan Riverside Seasons	27,655	42,629	551.3	—	60,487	—	—	—	—	—	70.0
19.	Suzhou • Lakeview Seasons	51,042	—	—	—	—	91,804	—	125,510	—	—	35.0[17]
20.	Suzhou • Changshu Phoenix Garden	28,054	32,092	—	—	46,789	—	—	—	—	—	50.0[17]
21.	Changzhou • Mindcloud Peakview	53,062	—	—	—	—	146,735	58,586	198,486	—	—	40.0[17]
22.	Dongguan • Champagne Garden	27,391	—	63,596	—	64,890	15,413	855	21,628	—	—	25.0[17]
23.	Foshan • Sunkwan Lakeview Seasons	24,808	—	—	—	—	51,505	10,762	67,384	—	—	100.0
24.	Foshan • Mindcloud Mansion	10,617	—	—	—	—	—	—	—	—	35,859	100.0
25.	Hefei • Sunkwan Begonia Seasons	18,738	—	—	—	—	60,744	43,311	74,867	—	—	100.0
26.	Shangrao • Sunkwan Riverside Seasons	85,527	—	—	—	—	200,561	104,317	271,084	—	—	100.0
27.	Tianmen • Sunkwan Northlake Seasons	73,363	—	—	—	—	87,814	65,147	102,682	—	—	100.0
	Commercial property projects											
28.	Shanghai • Sunkwan Red Commercial Plaza	4,154	—	—	5,952	6,721	—	—	—	—	—	100.0
29.	Shanghai • Sunkwan Upper Commercial Plaza	31,933	16,952	3,561	21,932	43,436	—	—	—	—	—	100.0
30.	Shanghai • Flourish Project 08-06 & 08-08	44,896	—	—	—	—	—	—	—	—	158,060	50.0[17]
31.	Shanghai • Sunkwan International Plaza Tower 3	1,543	—	—	14,727	14,727	—	—	—	—	—	100.0
32.	Shanghai • Sunkwan International Plaza Tower 4	1,545	—	—	14,805	14,805	—	—	—	—	—	100.0
33.	Shanghai • Sunkwan International Plaza Tower 5	2,674	—	—	11,484[19]	11,484	—	—	—	—	—	100.0
Sub-total		**1,207,301**	**602,362**	**208,179**	**68,900**	**921,525**	**1,252,410**	**760,209**	**1,627,526**	**164,611**	**204,727**	

Item	Projects	Site Area[1]	Completed				Under Development			Future Development		Group's Interest in the Project as of Valuation Date[16]
			GFA Sold and Delivered[6]	GFA Available for Sale[7]	Leasable GFA	Total GFA Completed[8]	Saleable GFA[9]	Pre-sold GFA[10]	Total GFA Under Development[11]	GFA with Land Use Right Not Yet Obtained[12]	Total Estimated GFA for Future Development[13]	
		(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(in sq.m.)	(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												
34.	Shanghai • Mindcloud Mountainview[20]	24,287	—	—	—	—	53,393	11,467	71,930	—	—	35.0
35.	Hangzhou • Joy Mountain	77,631	—	—	—	—	152,466	152,195	231,562	—	—	12.0
36.	Ningbo • Cixi Jade Mansion	113,857	—	—	—	—	209,942	187,350	253,594	—	—	16.0
37.	Ningbo • Cixi Joy Mansion	36,658	—	—	—	—	66,932	25,535	84,704	—	—	28.0
38.	Wenzhou • Prosperous Seasons	25,721	—	—	—	—	56,482	11,088	100,973	—	—	50.0
39.	Wenzhou • West Lakeside Seasons	19,967	—	—	—	—	44,613	9,893	85,977	—	—	50.0
40.	Wuhan • Sunkwan Sumptuous Skyview	7,760	—	—	—	—	23,043	—	35,588	—	—	70.0
41.	Suzhou • Sunkwan Mindcloud Timeview	50,141	—	—	—	—	108,541	—	164,558	—	—	70.0
42.	Suzhou • Mindcloud Mountainview	34,648	—	74,715	—	99,525	—	—	—	—	—	20.0
43.	Suzhou • Jade Seasons	34,683	—	—	—	—	45,663	45,663	68,300	—	—	24.5
44.	Suzhou • Changshu Hyde Mansion	21,817	—	4,995	—	44,027	—	—	—	—	—	33.0
45.	Foshan • Sunkwan Jinping Mountain No. 1	22,109	—	—	—	—	58,047	—	80,336	—	—	49.0
46.	Shangqiu • Sky Platinum	73,406	—	—	—	—	178,420	98,168	238,825	—	—	50.0
47.	Shangqiu • Shining Seasons	42,964	—	—	—	—	104,044	—	145,271	—	—	63.0
48.	Shangqiu • Bluesky Seasons	31,470	—	—	—	—	—	—	—	—	115,661	54.0
Commercial property projects												
49.	Shanghai • Sunkwan Center	15,982	—	—	—	—	—	—	98,324	—	—	50.0
Sub-total[21]		**633,100**	**—**	**79,710**	**—**	**143,551**	**1,101,588**	**541,358**	**1,659,943**	**115,661**	**—**	
Total Land Bank[22]		**1,840,401**	**602,362**	**287,889**	**68,900**	**1,129,966**	**2,353,998**	**1,301,567**	**3,287,469**	**164,611**	**320,388**	
Land Bank Attributable to Us[22]		**1,439,192**	**602,362**	**224,771**	**68,900**	**1,020,848**	**1,640,341**	**890,381**	**2,294,564**	**164,611**	**267,184**	

Notes:

(1) For projects or project phases for which we have obtained land use right, based on the relevant land use right certificates; for projects or project phases for which we have not obtained land use right, based on the relevant land grant contracts.

(2) GFA sold and delivered refers to completed GFA sold and delivered.

(3) GFA available for sale refers to the sum of (i) completed GFA pre-sold but yet delivered, and (ii) completed GFA unsold and available for sale, based on the relevant property ownership certificate or property inspection report.

(4) Refers to total GFA completed as set out in the property completion certificates/property inspection reports.

(5) Saleable GFA 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.

(6) Refers to GFA under development as set out in the signed pre-sold property purchase contracts.

(7) Refers to total GFA under development as set out in the construction work commencement permits. For our total GFA under development as of July 31, 2020, we expect to complete the construction of a planned GFA under development of 1,546,458 sq.m., 721,603 sq.m. and 1,729,124 sq.m. by 2020, 2021 and thereafter, respectively.

(8) Based on our internal records and development plans, the estimated GFA with land use right not yet obtained is calculated in accordance with the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts.

(9) Refers to (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.

(10) Refers to the effective equity interest in the respective project companies as of July 31, 2020.

(11) We entered into voting right arrangement with our business partner of the project company, pursuant to which it agreed that we are entitled to, by way of amending the articles of association of the relevant project company or entering into the voting right entrustment agreement with us, exercise a majority of the voting rights in the shareholders' meetings and control the board of directors, which also give us the ability to exercise control over financial and business decisions and daily operations of the relevant project company. Therefore, such project company was accounted for as our subsidiary and was consolidated into our financial statements in accordance with IFRS. See "— Our Property Projects — Voting Right Arrangements".

(12) Date on which 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.

(13) Inclusive of 4,931 sq.m. held and occupied by the Group as office spaces.

(14) We intend to hold a portion of the project with a planned GFA of 8,839 sq.m. for investment purpose and such portion will be used for retail (wet market) and residential property for lease.

(15) For projects held by our joint ventures and associates, total GFA prior to adjustment of our equity interest in the respective project.

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

OUR PROJECT OPERATION AND MANAGEMENT

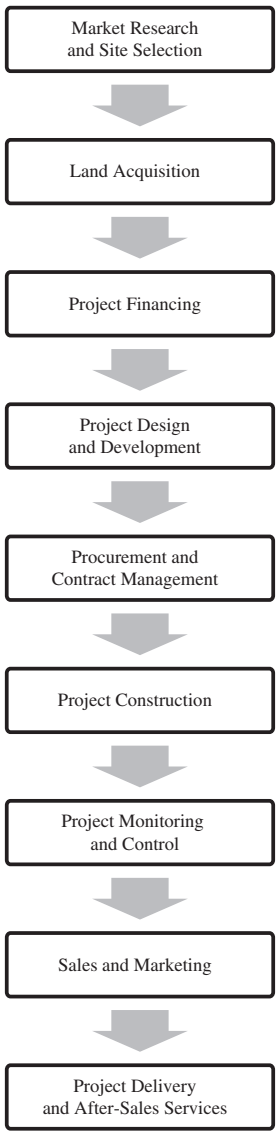
Our Project Development Process

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 April 30, 2020, 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 April 30, 2020, our in-house product design and development team comprised of 40 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 2017, 2018 and 2019, 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 the 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 the 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 the offering memorandum, we did not experience any significant delays in obtaining the aforesaid certificates and permits. As of the date of the 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 the 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. During 2017, 2018, 2019 and up to 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. 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. In 2017, 2018, 2019 and the four months ended April 30, 2020 and up to 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.

In 2017, 2018, 2019 and the four months ended April 30, 2020 and up to 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 2017, 2018, 2019 and the four months ended April 30, 2020, 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. Our PRC legal counsel is of the view all of our use of pre-sale proceeds during 2017, 2018 and 2019 and up to the date of this offering memorandum were within the scope of the permitted 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 2017, 2018, 2019 and the four months ended April 30, 2020 and up to the date of the 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. Based on the foregoing, our PRC legal counsel is of the view that our usage of pre-sale proceeds is in compliance with relevant rules and regulations governing the scope of the permitted use of pre-sale proceeds.

In 2017, 2018, 2019 and up to the date of the 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 2017, 2018, 2019 and the four months ended April 30, 2020 and up to the date of the offering memorandum. Based on the foregoing using conditions as well as confirmations from and interviews conducted with the competent local government authorities, the practice that we made cash advances from pre-sale proceeds, as advised by our PRC legal counsel, is in compliance with relevant rules and regulations governing the scope of the permitted use of pre-sale proceeds. 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 the offering memorandum, we had not received any notice of claim or penalty relating to such advances. We are advised by our PRC legal counsel that 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, 2017, 2018 and 2019 and April 30, 2020, our outstanding guarantees over the mortgage loans of our customers amounted to RMB2,606.9 million, RMB3,611.2 million, RMB7,570.3 million (US$1,071.9 million) and RMB6,567.8 million (US$930.0 million), respectively. In 2017, 2018, 2019 and the four months ended April 30, 2020 and up to the date of this offering 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. In 2017, 2018, 2019 and the four months ended April 30, 2020 and up to 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. In 2017, 2018, 2019 and the four months ended April 30, 2020 and up to 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. In 2017, 2018, 2019 and the four months ended April 30, 2020 and up to the date of the 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 267,634 sq.m., 267,634 sq.m., 270,728 sq.m. and 270,728 sq.m. as of December 31, 2017, 2018 and 2019 and July 31, 2020, respectively. As of July 31, 2020, we had five completed investment property projects, including two completed commercial district shopping plazas and three office buildings, all of which are in operation and open to the public. 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 RMB22.7 million, RMB39.7 million, RMB49.1 million (US$7.0 million) , RMB13.7 million and RMB13.7 million (US$1.9 million) in 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020, respectively. In addition, as of July 31, 2020, our investment property portfolio, in which we have investment interests, also included three commercial or mixed-use property projects, two of which were under development and the other was held for future development and expected to be completed and commence operation in the next few years.

The following table set forth the basic information regarding our completed investment properties as of July 31, 2020.

City	Project Name	Actual Construction Completion Date	Actual Total GFA Held for Investment	Occupancy Rate[1] as of July 31, 2020
			(in sq.m.)	
Shanghai	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街) (investment)	October 18, 2016	21,932	75.4
Shanghai	Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)	November 7, 2016	5,952	80.3
Shanghai	Shanghai • Sunkwan International Plaza Tower 3 (上海•上坤國際廣場三座)	June 2, 2017[2]	14,727	99.1
Shanghai	Shanghai • Sunkwan International Plaza Tower 4 (上海•上坤國際廣場四座)	June 2, 2017[2]	14,805	88.7
Shanghai	Shanghai • Sunkwan International Plaza Tower 5 (上海•上坤國際廣場五座)	June 2, 2017[2]	6,553	95.1
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 April 30, 2020, the database consisted of 60 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 51.6%, 33.9%, 34.3% and 47.0% of our total purchases in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. Our largest supplier in 2017, 2018 and 2019 and the four months ended April 30, 2020 accounted for approximately 19.0%, 11.2%, 8.9% and 19.0% of our total purchases, respectively. As of April 30, 2020, 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 2017, 2018, 2019 and the four months ended April 30, 2020, and revenue contributed by our five largest customers accounted for less than 5.5% of our total revenue in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively.

AWARDS AND RECOGNITIONS

The table below sets forth a summary of our key awards and certificates as of the date of this offering memorandum.

Project/Recipient	Award/Recognition	Awarding Authority	Year
Sunkwan Group	A 2020 Top 100 Real Estate Developer in China (2020中國房地產開發企業百強)	China Real Estate Top 10 Research Group (中國房地產Top 10研究組)	2020
Sunkwan Group	A 2020 Top 10 Real Estate Developer in China by Business Performance (2020中國房地產開發企業經營業績績效十強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal (中國房地產業協會, 上海易居房地產研究院及中國房地產測評中心)	2020
Sunkwan Group	A 2020 Top 100 Real Estate Developer in China (2020中國房地產開發企業百強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal	2020

Project/Recipient	Award/Recognition	Awarding Authority	Year
Sunkwan Group	A 2020 Best 10 of Growth of China Real Estate Developers Brand Value (2020年中國房地產開發企業品牌價值成長性10強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal	2020
Sunkwan Group	Value Real Estate Enterprise of the Year (年度價值地產企業)	National Business Daily (每日經濟新聞)	2020
Sunkwan Group	2020 Enterprise with Comprehensive Quality in Real Estate (2020年度品質地產綜合企業)	21st Century Business Herald and Bo'ao 21st Century Real Estate Forum (21世紀經濟報導及博鰲21世紀房地產論壇)	2020
Mindcloud series	A 2020 Top 10 Boutique Real Estate Product Series in China (十大輕奢精品產品系)	CRIC China (易居克爾瑞)	2020
Mindcloud series	A 2020 TOP 10 Ingenuous and Aesthetic Real Estate Product Series in China (中國匠心美宅產品系品牌價值10強)	Leju News (樂居財經研究院)	2020
Sunkwan Group	A 2019 Top 100 Real Estate Developer in China (2019中國房地產開發企業百強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal	2019
Sunkwan Group	A 2019 Top 10 Real Estate Developer in China by Growth Potential (2019中國房地產開發企業發展潛力十強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal	2019
Sunkwan Group	A 2019 Top 100 Real Estate Developer in China (2019中國房地產開發企業百強)	China Real Estate Top 10 Research Group	2019
Sunkwan Group	A 2019 Top 100 Real Estate Developer in China by Brand Product Power (2019中國房地產企業產品力百強)	CRIC China (易居克爾瑞)	2019
Sunkwan Group	A 2019 Top 10 Real Estate Developer in East China by Brand Value (2019中國房地產開發企業品牌價值華東十強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal	2019
Sunkwan Group	2019 Noteworthy Real Estate Company in the Capital Markets (2019值得資本市場關注的房地產公司)	China Real Estate Top 10 Research Group	2019
Sunkwan Group	A 2019 Top 20 Real Estate Developer in Shanghai (2019中國房地產開發企業上海市二十強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal	2019

Project/Recipient	Award/Recognition	Awarding Authority	Year
Sunkwan Group	A 2019 TOP 10 Real Estate Company in the Yangtze River Delta Economic Region by Brand Value (2019中國長三角區域房地產公司品牌價值十強)	China Real Estate Top 10 Research Group	2019
Sunkwan Group	2019 Most Investment-worthy Real Estate Developer (2019年度最具投資價值房企)	Leju News	2019
Seasons series (四季系)	2019 China Real Estate Brand with Original Products (2019中國房地產優秀原創產品品牌)	China Real Estate Top 10 Research Group	2019
Seasons series	A Top 10 Aesthetic Real Estate Product Series (品質美宅產品系Top 10)	CRIC China	2019
Seasons series	A 2019 TOP 10 Ingenuous and Aesthetic Real Estate Product Series in China (中國匠心美宅產品系列)	Leju News	2019
Sunkwan Group	2018 Real Estate Company by Investment Value in China (2018中國年度投資價值地產企業)	Bo'ao Real Estate Forum and Guandian.cn (博鰲房地產論壇及觀點地產新媒體)	2018
Shanghai • Flourish projects	A 2018 TOP 10 Residential Real Estate Brand in China (2018中國房地產住宅項目品牌價值十強)	China Real Estate Top 10 Research Group	2018

COMPETITION

The real estate market in China is highly fragmented and competitive. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, who have business operations in cities where we operate or intend to operate. We compete with them in many aspects, including land acquisition, brand recognition, financing resources, prices, product quality and service quality. Some of these competitors may have more experience in the real estate industry, greater financial and human resources, larger sales network and stronger brand reputation.

In particular, the real estate market in our focus regions, namely the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and Mid-China Core Economic Region have been highly competitive in recent years. The rapid urbanization and development of the major cities in these regions have led to a diminishing supply of undeveloped land in desirable locations in the first- and second-tier cities in these regions. Moreover, the PRC government has implemented policies to tightly control the amount of new land available for development. These factors have increased competition and land grant premiums in relation to land made available for development.

Despite the rapid competition in the real estate industry, in particular the Yangtze River Delta Economic Region, we were ranked the 17th among the "2019 Top 20 Shanghai Real Estate Developers" jointly by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal (Shanghai). The award took into consideration the statistical data in 2018 and evaluated property developers, which (i) were ranked top 150 in the "Top 500 Chinese Real Estate Developers in China" in 2019, jointly issued by the China Real Estate Association and China Real Estate Evaluation Center; (ii) are headquartered in Shanghai; and (iii) had property projects located in Shanghai that were on sale and/or under development in 2018, based on their comprehensive strength and overall performance in the national market with reference to a wide

range of evaluation criteria, including revenue, profit margin, contracted sales, total assets, growth potential as well as the abilities to manage human resources, product innovation, social responsibilities, etc. Among these criteria, we stood out from our competitors in terms of growth rates for revenue and net asset, which amounted to 470.1% and 184.5% from 2017 to 2018, respectively, which were substantially higher than industry average in China of 29.0% and 19.6%, respectively, during the same period, according to E-House, which enabled us to stand out from other candidates with a relatively slower growth rate. With our proven premium brand recognition, property development capabilities, balanced investment portfolio, customer-oriented product offerings and strong execution capabilities, we have demonstrated resiliency to market changes and competition, and are well prepared for the challenges in the real estate market in China.

INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have extensive trademark registrations to protect all respects of our business operations. As of April 30, 2020, we had 22 trademarks for our business operations in China and one trademark in Hong Kong. As of the same date, we have also filed 12 trademark registration applications in China. In addition, we have registered the domain name of sunkwan.com.cn for our website and we have one copyright of artwork.

As of the date of the 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 April 30, 2020, 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 April 30, 2020, we leased a number of properties with a total GFA of approximately 14,508 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 the offering memorandum, we had not experienced any disruptions to our IT systems that materially impacted our business operations.

EMPLOYEES

As of April 30, 2020, we had 677 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 April 30, 2020:

Function	Number of Employees	% of All Employees
Management	14	2.1
Construction Management/Quality Control	101	14.9
Finance	54	8.0
Product Design and Development	40	5.9
Sales, Marketing and Customer Services	239	35.3
Procurement and Cost Control	54	8.0
General Administrative	30	4.4
Human Resources	31	4.6
Operational Management	18	2.7
Investment	41	6.1
Fund and Financing Management	28	4.1
Others	27	4.0
Total	677	100.0

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 in 2017, 2018, 2019 and up to 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 since the commencement of their operations and up to 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 2017, 2018, 2019 and the four months ended April 30, 2020, 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 the 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 PRC legal counsel is 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 amended on October 28, 2007 and August 31, 2012 and June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court 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. The Negative List 2020 has 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 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 China Banking Regulatory Commission (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. 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" or the Foreign Investment Law (中華人民共和國外商投資法) with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1, 2020. The Foreign Investment Law 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. The Negative List 2020 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, 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 L and" (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 and as amend on September 28, 2018.

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.

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;
- 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), 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" 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, 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) issued by the State Council 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" (關於全面推開營業税改徵增值税試點的通知). 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税徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by 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 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稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On 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" (關於加強土地增值稅管理工作的通知) 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稅和土地增值稅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," which was amended on February 2, 2015 (關於土地增值稅若干問題的通知). 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."

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

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007 and was amended on July 7, 2016 and 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 salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2)

the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancelation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (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 "Interim Regulations of the People's Republic of China on Deed Tax" (中華人民共和國契税暫行條例) promulgated by the State Council in July 1997 and as amended on March 2, 2019, 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, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the "Implementation Provisions on Deed Tax in Guangdong Province" promulgated by the People's Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%.

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" promulgated by the Ministry of Finance on November 2, 1988 and the "Approval on Land Use Tax Exemption of Foreign-Invested Enterprises" 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 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税暫行條例) 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 "Interim regulations of the People's Republic of China on Stamp Duty" (中華人民共和國印花税暫行條例) promulgated by the State Council in August 1988 and amended on January 8, 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal Maintenance Tax

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (中華人民共和國城市維護建設税暫行條例) promulgated by the State Council in 1985 and amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the "Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals" (關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the "Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises" (關於對外資企業徵收城市維護建設税和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance 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" and the "Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" 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 Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設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 Municipal Maintenance 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稅收政策的通知) 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 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, 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020:

	Year ended December 31,				Four months ended April 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	USD'000	RMB'000	RMB'000	USD'000
				(Unaudited)	(Unaudited)		(Unaudited)
Advances from related companies:							
Joint ventures	—	243,350	38	5	—	9,007	1,275
Associates	—	—	373,150	52,838	98,571	40	6
Companies controlled by the shareholder	—	43,874	3,842	544	1,263	861,310	121,961
Companies controlled by key management personnel	53,000	614,768	—	—	—	—	—
	53,000	901,992	377,030	53,387	99,834	870,357	123,242
Repayment of advances from related companies:							
Joint ventures	—	—	16,200	2,294	10,671	—	—
Associates	—	—	4,944	700	—	—	—
Companies controlled by the shareholder	—	—	—	—	—	333,643	47,244
Companies controlled by key management personnel	53,357	52,040	562,758	79,686	558,313	—	—
	53,357	52,040	583,902	82,680	568,984	333,643	47,244
Advance to a shareholder	420	79	—	—	—	—	—
Repayment of an advance to a shareholder	—	—	8,747	1,239	—	—	—
Advances to related companies:							
Joint ventures	951,050	775,312	1,827,225	258,733	279,162	213,937	30,293.3
Associates	151,181	416,875	461,818	65,393	11,335	193,340	27,377
Companies controlled by the shareholder	4,909,970	4,574,641	3,615,958	512,016	953,908	53,740	7,610
	6,012,201	5,766,828	5,905,001	836,142	1,244,405	461,017	65,280

	Year ended December 31,				Four months ended April 30,		
	2017	2018	2019		2019	2020	
	RMB'000	RMB'000	RMB'000	USD'000	RMB'000	RMB'000	USD'000
				(Unaudited)	(Unaudited)		(Unaudited)
Repayment of advances to related companies:							
Joint ventures	274,864	1,026,337	1,265,410	179,181	158,340	205,580	29,110
Associates	—	152,516	136,094	19,271	54,014	151,034	21,386
Companies controlled by the shareholder	5,208,086	4,930,910	3,802,157	538,381	1,266,240	309,994	43,895
	5,482,950	6,109,763	5,203,661	736,833	1,478,594	666,608	94,391
Property management services from companies controlled by the shareholder	4,848	10,816	15,491	2,194	2,902	4,411	625
Finance costs from a company controlled by the shareholder	—	2,732	2,421	343	1,160	370	52
Consulting services to joint ventures and associates	—	6,078	22,018	3,118	3,889	7,815	1,107
Miscellaneous purchases from a company controlled by the shareholder	—	—	12,045	1,706	—	30,436	4,310
Construction services from a company controlled by the shareholder	—	—	—	—	—	3,963	561

Note:

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

PRINCIPAL SHAREHOLDERS

As of the date of the offering memorandum, 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	750,075,000	36.18
Mr. Chen Peng[(2)]	Interest of spouse	750,075,000	36.18
Northern American Trust Company, LLC[(1)]	Trustee of a trust	750,075,000	36.18
FULVA Holding[(1)]	Interest in a controlled corporation	750,075,000	36.18
YongHeng Holdings.....	Beneficial interest	750,075,000	36.18
Mr. Lin Jinfeng[(3)]	Interest in controlled corporation	622,425,000	30.03
Ginkgo-BVI	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 and Northern American Trust Company, LLC is deemed to be interested in the number of 750,075,000 Shares held by YongHeng Holdings.

(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-BVI and is therefore deemed to be interested in the Shares in which Ginkgo-BVI is interested.

Except as disclosed above, as of the date of the offering memorandum, 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)	44	Chief executive officer, chairman of our Board and executive Director
SHENG Jianjing (盛劍靜)	41	Assistant president and executive Director
YANG Zhandong (楊佔東)	43	Executive vice president and executive Director
LIN Jinfeng (林勁峰)	49	Non-executive Director
LIN Zhaohong (林朝虹)	48	Non-executive Director
GUO Shaomu (郭少牧)	54	Independent non-executive Director
AU YEUNG Po Fung (歐陽寶豐)	53	Independent non-executive Director
ZHOU Zheren (周喆人)	43	Independent non-executive Director

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

Executive Directors

Ms. ZHU Jing (朱靜), aged 44, is our founder, chief executive officer, chairman of our Board and an executive Director. She has over 17 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 41, is our assistant president and an executive Director. She has more than ten 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 43, 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 49, 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 48, 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 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. Guo has over 20 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 53, 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 43, 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 a qualified 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)
FENG Huiming (馮輝明)	49	Executive president
TONG Wenyan (佟文艷)	39	Vice president
LIANG Jing (梁晶)	38	Assistant president
LU Shiyuan (陸石媛)	40	Assistant president and joint company secretary

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

Mr. FENG Huiming (馮輝明), aged 49, joined our Group and was appointed the executive president of our Group on May 6, 2020. He has also been serving as the executive president at Zhaokun Industrial since May 2020. Mr. Feng is primarily responsible for assisting the chairman in formulating the Group's development strategies and overseeing the financial affairs of our Group.

Prior to joining our Group, Mr. Feng served in various roles at Shenzhen Jubang Enterprise General Company (深圳市巨邦企業總公司), a hospitality services provider, including deputy manager of the finance department, general manager assistant and executive director from July 1996 to October 2000. From November 2000 to March 2002, he worked as a senior manager of the investment banking division and as a supervising manager of the brokerage department at Yingda Securities Co., Ltd. (英大證券有限責任公司). Mr. Feng worked as a deputy general manager and a financial officer at Shenzhen Fuyida Investment Development Co., Ltd. (深圳市富怡達投資發展有限公司) from March 2002 to April 2003. He then served in various roles at Kaisa Group Holdings Ltd., an integrated real estate company listed on the Main Board of the SEHK (stock code: 1638), including manager of the investment and development department and financial officer at Kaisa Property (Shenzhen) Co., Ltd. (佳兆業地產(深圳)有限公司) from August 2003 to March 2004, and as the vice president of the group from September 2012 to December 2012. Mr. Feng worked as a general manager at Suzhou Fuyin Investment Development Co., Ltd. (蘇州市富銀投資發展有限公司), an investment company, from April 2004 to April 2005. From April 2005 to September 2012, he served in various positions at Fantasia Holdings Group Co., Limited, a property developer listed on the Main Board of the SEHK (stock code: 1777), including deputy general manager, vice president and an executive director. Later, Mr. Feng served as the group's vice president at Shenzhen Baoneng Investment Group Co., Ltd. (深圳市寶能投資集團有限公司), an urban property developer, from January 2013 to July 2014. From August 2014 to December 2015, he served as an assistant president at Henderson China Properties Limited (恒基中國地產有限公司), a subsidiary of Henderson Land Development Company Limited, a real estate developer listed on the Main Board of the SEHK (stock code: 12). Mr. Feng served as the vice president at Chongqing Sincere Holdings Group Co., Ltd. (重慶協信控股(集團)有限公司), a PRC-based enterprise group with a primary focus on real estate investment, operation and management, from December 2016 to October 2018. From October 2018 to April 2020, he served as the general vice president at Sansheng Group Company Limited (三盛集團有限公司), an investment and development company with investment in real estate in the PRC.

Mr. Feng obtained a bachelor's degree in forestry economics and management from Northeast Forestry University (東北林業大學) in the PRC in July 1993. He received his master's degree in economics from Zhongnan University of Economics (currently known as Zhongnan University of Economics and Law) in the PRC in June 1996.

Ms. TONG Wenyan (佟文艷), aged 39, joined our Group as the vice president at Sunkwan Properties in November 2018 and was appointed the vice president of our Group on March 24, 2020. She has also served as the vice president at Zhaokun Industrial since January 2019. Ms. Tong is primarily responsible for brand development, sales and marketing management and customer relations of our Group.

Prior to joining our Group, Ms. Tong served as a division deputy director of sales at Greenland Holdings Corp., Ltd., a real estate developer listed on the Shanghai Stock Exchange (stock code: 600606) from April 2011 to September 2015. From September 2015 to January 2018, Ms. Tong served as an assistant general manager of the Shanghai business division at CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司), a real estate development company listed on the Main Board of the SEHK (stock code: 884). She also served as a regional deputy sales general manager in Shanghai at Tahoe Group Co., Ltd, a China-based real estate company listed on the Shenzhen Stock Exchange (stock code: 000732) from March 2018 to October 2018. Ms. Tong obtained a bachelor's degree in philosophy from Beijing Normal University in the PRC in July 2005.

Mr. LIANG Jing (梁晶), aged 38, joined our Group as an assistant president at Sunkwan Properties in September 2017 and was appointed an assistant president of our Group on March 24, 2020. 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 40, joined our Group in February 2015 and was appointed an assistant president of our Group on March 24, 2020. 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 April 30, 2020, our indebtedness (including current and non-current interest-bearing bank and other borrowings, and lease liabilities) amounted to RMB5,704.9 million (US$807.8 million). Subsequent to April 30, 2020, 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 Xiamen International Bank Co., Ltd, Hubei Bank Co., Ltd, Zheshang Bank Co., Ltd and New China Trust Co., Ltd. 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 6 months to 15 years, which generally correspond to the construction periods of the particular projects. As of April 30, 2020, the aggregate outstanding amount under these loans totaled approximately RMB1,227.0 million (US$173.7 million), of which RMB113.0 million (US$16.0 million) was due within one year and RMB1,114.0 million (US$157.7 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 April 30, 2020, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 10.3% 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, 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;
- 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 April 30, 2020, RMB1,227 million (US$173.7 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 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."

DESCRIPTION OF THE NOTES

For purposes of this "Description of the 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. 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 Citicorp International Limited, 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 Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness 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 January 21, 2022, 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 12.75% 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 July 22, 2021 and January 21, 2022 (each an "Interest Payment Date").

Interest on the Notes will be paid to Holders of record at the close of business on July 7, 2021 and January 6, 2022 (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 "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$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company, 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 Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland, and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, 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 and Yunyin Holding 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 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 April 30, 2020, the Company and its consolidated subsidiaries had total indebtedness of RMB5,704.9 million (US$807.8 million), of which approximately RMB5,589.0 million (US$791.1 million) was secured.

As of April 30, 2020, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB5,704.9 million (US$807.8 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB1,458.3 million (US$206.5 million) and contingent liabilities of approximately RMB9,177.3 million (US$1,299.5 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."

OPTIONAL REDEMPTION

At any time prior to January 21, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to January 21, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

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$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL

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 MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees 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 all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5) (to the extent such Restricted Payment is made to the Company or a Restricted Subsidiary), (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 Original Issue 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 Original Issue 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 Original Issue 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 Original Issue 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 Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue 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 Original Issue 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;

(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$1,000.

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, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under "— 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$10.0 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;

(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$10.0 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;

(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;

(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) or (c) effects any general assignment for the benefit of creditors; 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 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 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 shall, upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to receiving indemnity and/or security), 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 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 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 reasonably 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 satisfactory to it; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under the Subsidiary Guarantee or JV Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year 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 each Holder affected thereby:

(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 "— 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

Citicorp International Limited is to be appointed as Trustee under the Indenture. Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, is to be appointed as 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 such Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity 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.

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$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

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 by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or 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.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 21, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (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.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the principal amount of such Notes on January 21, 2022, plus all required remaining scheduled interest payments due on such Note through January 21, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"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 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.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to January 21, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to January 21, 2022.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of 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.

"Equity Offering" means (i) any *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placement price, in each case under clause (i) or (ii) *provided* such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placement referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"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.

"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.

"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$200,000 or integral multiples of US$1,000.

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$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations, in the event that the Company is required to repurchase 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)(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.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

"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 Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the 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 Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. 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 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 Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC TAXATION

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest 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 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 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 Notes — Interest payable by us to our foreign investors and gain on sale of our 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 Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum between the Company, the Subsidiary Guarantors and Haitong International Securities Company Limited, CMB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Admiralty Harbour Capital Limited, AMTD Global Markets Limited, Central Wealth Securities Investment Limited, China CITIC Bank International Limited, China Everbright Securities (HK) Limited, CRIC Securities Company Limited, Valuable Capital Limited and Zhongrong PT Securities Limited as the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally and not jointly agreed to purchase the principal amount of the Notes set forth opposite their respective names below.

Initial Purchasers	**Principal Amount of the Notes**
Haitong International Securities Company Limited	US$50,000,000
CMB International Capital Limited	US$40,000,000
Guotai Junan Securities (Hong Kong) Limited	US$35,000,000
Admiralty Harbour Capital Limited	US$5,000,000
AMTD Global Markets Limited	US$5,000,000
Central Wealth Securities Investment Limited	US$5,000,000
China CITIC Bank International Limited	US$5,000,000
CRIC Securities Company Limited	US$5,000,000
China Everbright Securities (HK) Limited	US$10,000,000
Valuable Capital Limited	US$5,000,000
Zhongrong PT Securities Limited	US$20,000,000
Total	**US$185,000,000**

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance of Regulation S. The price at which the Notes are offered may be changed at any time without notice. The Company will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering.

The Company has agreed with the Initial Purchasers that it will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The 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."

We have agreed that, for a period of seven days from the date of this offering memorandum, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any Subsidiary Guarantor, directly or indirectly, or announce the offering, of any debt securities issued or guaranteed by the Company (other than the Notes or any debt securities issued in the PRC).

The Notes will constitute a new issue of securities with no established trading market. Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. However, we cannot assure you that we will ultimately obtain such listing or that we will be able to maintain such listing or that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, the Initial Purchasers and/or their respective affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our other securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the 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 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 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 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."

EEA

Prohibition of sales to EEA retail investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Hong Kong

Each of the Initial Purchasers 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 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 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 Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

PRC

Each Initial Purchaser has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, and the 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

Each Initial Purchaser has represented and warranted that the offer of the 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 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. Each Initial Purchaser 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 Notes in Taiwan.

Cayman Islands

Each Initial Purchaser 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 Notes.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes, 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 Notes are being offered and sold only 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 Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the Notes in an offshore transaction in accordance with Regulation S;

2. represented that it is purchasing the 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 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 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 Notes of any restrictions on the transfer of such Notes;

5. acknowledged that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represented that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agreed that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us;

6. represented that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act;

7. acknowledged that the 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, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE PAYING AND 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. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

You also acknowledge that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying and Transfer Agent, the Registrar, the Initial Purchasers, 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 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 Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each 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 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 Initial Purchasers by Shearman & Sterling 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 three years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020, 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 Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated January 13, 2021.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

NO MATERIAL ADVERSE CHANGE

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 April 30, 2020 that is material in the context of the issue of the Notes.

LISTING

Application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the correctness of any statements made on opinions or reports contained in this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum. Admission of the Notes to the official list of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Notes or us.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust specified 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 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 Consolidated 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 Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
The Notes	XS2157244174	215724417

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

INDEX TO FINANCIAL STATEMENTS

AUDITED FINANCIAL INFORMATION AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 AND AS OF AND FOR THE FOUR MONTHS ENDED APRIL 30, 2020[(1)]

	F-page	2019 Annual Report[(1)]
Independent Auditor's Report	F-2	114
Consolidated Statements of Profit or Loss and Other Comprehensive Income	F-6	123
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Note:

(1) The attached accountants' report on our consolidated financial information as of and for the year ended December 31, 2017, 2018 and 2019 and as of and for the four months ended April 30, 2020 is a reproduction of Appendix I to the prospectus for our initial public offering dated October 31, 2020.

The following is the text of a report on the financial information of Sunkwan Properties Group Limited, prepared for the purpose of incorporation in this prospectus received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Sunkwan Properties Group Limited
ABCI Capital Limited

Dear Sirs,

We report on the historical financial information of Sunkwan Properties Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-108, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 April 2020 and the statements of financial position of the Company as at 31 December 2018 and 2019 and 30 April 2020, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-108 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2020 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 April 2020 and of the Company as at 31 December 2018 and 2019 and 30 April 2020 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises 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 four months ended 30 April 2019 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the

Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Certified Public Accountants
Hong Kong
31 October 2020

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
REVENUE	*5*	1,201,102	6,847,436	7,535,159	1,151,843	1,148,500
Cost of sales		(829,815)	(3,321,645)	(4,464,234)	(578,609)	(555,809)
GROSS PROFIT		371,287	3,525,791	3,070,925	573,234	592,691
Finance income		9,712	15,884	15,804	3,061	5,284
Other income and gains	*5*	5,285	7,546	11,242	1,148	1,560
Selling and distribution expenses		(78,482)	(161,220)	(213,653)	(50,831)	(52,036)
Administrative expenses		(130,918)	(241,341)	(250,741)	(80,446)	(93,261)
Impairment losses on financial assets		(1,575)	(1,152)	(390)	(131)	(605)
Other expenses		(1,507)	(3,259)	(3,159)	(272)	(294)
Fair value gains on investment properties	*14*	254,227	159,818	175,812	53,012	12,500
Fair value gains on financial assets at fair value through profit or loss		4,166	2,557	1,883	1,282	280
Finance costs	*7*	(220,063)	(281,311)	(261,734)	(70,549)	(75,454)
Share of profits and losses of:						
Joint ventures		5,730	(6,206)	15,753	6,789	1,577
Associates		(80)	(3,965)	(8,237)	(2,809)	(2,724)
PROFIT BEFORE TAX	*6*	217,782	3,013,142	2,553,505	433,488	389,518
Income tax expense	*10*	(183,204)	(2,340,234)	(1,876,616)	(363,405)	(231,103)
PROFIT FOR THE YEAR/PERIOD		34,578	672,908	676,889	70,083	158,415
Profit attributable to:						
Owners of the parent		49,971	154,553	219,532	(17,608)	20,974
Non-controlling interests		(15,393)	518,355	457,357	87,691	137,441
		34,578	672,908	676,889	70,083	158,415
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		34,578	672,908	676,889	70,083	158,415
Total comprehensive income attributable to:						
Owners of the parent		49,971	154,553	219,532	(17,608)	20,974
Non-controlling interests		(15,393)	518,355	457,357	87,691	137,441
		34,578	672,908	676,889	70,083	158,415
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December			30 April
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	171,768	169,395	150,155	147,617
Right-of-use assets	*15(a)*	1,050	6,688	4,472	2,696
Investment properties	*14*	2,582,000	2,742,100	2,918,400	2,930,900
Intangible assets	*16*	2,554	2,326	1,966	2,423
Investments in joint ventures	*17*	29,733	50,128	94,333	163,203
Investments in associates	*18*	12,170	107,004	142,283	254,449
Deferred tax assets	*19*	173,756	493,577	792,648	778,317
Total non-current assets		2,973,031	3,571,218	4,104,257	4,279,605
CURRENT ASSETS					
Properties under development	*20*	6,486,066	9,317,739	10,859,280	11,675,614
Completed properties held for sale	*21*	70,667	1,046,885	1,051,766	506,810
Trade receivables	*22*	18,837	28,906	46,661	35,165
Due from related companies	*39*	1,614,623	1,279,867	1,997,139	1,778,601
Due from a shareholder	*39*	8,668	8,747	—	—
Contract cost assets	*24*	39,864	24,121	52,438	55,266
Prepayments, other receivables and other assets	*23*	2,699,235	2,978,468	3,056,757	3,194,212
Tax recoverable		291,230	25,033	172,866	184,778
Financial assets at fair value through profit or loss	*25*	79,761	62,948	55,528	52,482
Restricted cash	*26*	320,474	1,014,133	2,360,661	1,773,647
Pledged deposits	*26*	1,904	75,278	50,145	73,985
Cash and cash equivalents	*26*	506,262	454,669	1,073,499	1,585,384
Total current assets		12,137,591	16,316,794	20,776,740	20,915,944
CURRENT LIABILITIES					
Trade and bills payables	*27*	942,293	1,110,134	1,652,322	1,575,650
Other payables and accruals	*28*	202,087	1,139,898	1,109,077	1,121,735
Contract liabilities	*29*	7,752,566	5,021,651	8,329,464	9,179,494
Due to related companies	*39*	5,930	928,749	631,642	1,173,746
Interest-bearing bank and other borrowings	*30*	2,325,787	3,034,834	4,243,248	2,499,042
Tax payables	*10*	169,031	2,169,891	3,349,387	3,356,048
Lease liabilities	*15(b)*	302	3,716	34,307	33,495
Total current liabilities		11,397,996	13,408,873	19,349,447	18,939,210

	Notes	31 December			30 April
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS		739,595	2,907,921	1,427,293	1,976,734
TOTAL ASSETS LESS CURRENT LIABILITIES		3,712,626	6,479,139	5,531,550	6,256,339
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*30*	2,871,020	4,424,079	2,523,009	3,089,987
Deferred tax liabilities	*19*	107,410	130,276	163,512	162,869
Lease liabilities	*15(b)*	96,393	110,006	82,357	82,396
Total non-current liabilities		3,074,823	4,664,361	2,768,878	3,335,252
NET ASSETS		637,803	1,814,778	2,762,672	2,921,087
EQUITY					
Equity attributable to owners of the parent					
Share capital	*31*	—	15	11	11
Reserves	*32*	627,694	614,076	860,019	880,993
		627,694	614,091	860,030	881,004
Non-controlling interests		10,109	1,200,687	1,902,642	2,040,083
TOTAL EQUITY		637,803	1,814,778	2,762,672	2,921,087

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	**Share premium**	**Merger reserve**	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 32(a)*	*Note 32(b)*	*Note 32(c)*	*Note 32(d)*				
As at 1 January 2017	—	—	510,500	—	5,013	72,210	587,723	25,502	613,225
Profit and total comprehensive income for the year	—	—	—	—	—	49,971	49,971	(15,393)	34,578
Acquisition of a subsidiary from the then equity holder of a subsidiary	—	—	(10,000)	—	—	—	(10,000)	—	(10,000)
Appropriations to statutory surplus reserve	—	—	—	—	27,597	(27,597)	—	—	—
As at 31 December 2017 and 1 January 2018	—	—*	500,500*	—*	32,610*	94,584*	627,694	10,109	637,803
Profit and total comprehensive income for the year	—	—	—	—	—	154,553	154,553	518,355	672,908
Issuance of new shares	15	—	—	—	—	—	15	—	15
Capital contribution by the then equity holders of subsidiaries	—	—	660,000	—	—	—	660,000	—	660,000
Capital contribution by the non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	156,223	156,223
Acquisition of subsidiaries from the then equity holder of subsidiaries	—	—	(815,023)	—	—	—	(815,023)	—	(815,023)
Disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	—	—	516,000	516,000
Appropriations to statutory surplus reserve	—	—	—	—	46,263	(46,263)	—	—	—
Dividend paid to the then equity holder of a subsidiary	—	—	—	—	—	(13,148)	(13,148)	—	(13,148)

	Attributable to owners of the parent								
	Share capital	**Share premium**	**Merger reserve**	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 32(a)*	*Note 32(b)*	*Note 32(c)*	*Note 32(d)*				
As at 31 December 2018 and 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 non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	225,589	225,589
Capital contribution by the then equity holders of subsidiaries	—	—	51,021	—	—	—	51,021	—	51,021
Acquisition of a subsidiary *(note 34)*	—	—	—	—	—	—	—	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 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 period	—	—	—	—	—	20,974	20,974	137,441	158,415
As at 30 April 2020	11	—*	396,498*	(24,610)*	138,297*	370,808*	881,004	2,040,083	2,921,087

* These reserve accounts represent the total consolidated reserves of RMB627,694,000, RMB614,076,000, RMB860,019,000 and RMB880,993,000 in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

	Attributable to owners of the parent								
	Share capital	**Share premium**	**Merger reserve**	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 32(a)*	*Note 32(b)*	*Note 32(c)*	*Note 32(d)*				
As at 31 December 2018 and 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 period (unaudited)	—	—	—	—	—	(17,608)	(17,608)	87,691	70,083
Capital contribution by the then equity holders of subsidiaries (unaudited)	—	—	12,924	—	—	—	12,924	—	12,924
Capital contribution by the non-controlling shareholders of a subsidiary (unaudited)	—	—	—	—	—	—	—	3,675	3,675
Disposal of partial interests in a subsidiary without losing control (unaudited)	—	—	—	156	—	—	156	23,885	24,041
As at 30 April 2019 (unaudited)	15	—	358,401	156	78,873	172,118	609,563	1,315,938	1,925,501

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		217,782	3,013,142	2,553,505	433,488	389,518
Adjustments for:						
Finance costs	*7*	220,063	281,311	261,734	70,549	75,454
Share of profits and losses of joint ventures		(5,730)	6,206	(15,753)	(6,789)	(1,577)
Share of profits and losses of associates		80	3,965	8,237	2,809	2,724
Interest income		(9,712)	(15,884)	(15,804)	(3,061)	(5,284)
(Gain)/loss on disposal of items of property, plant and equipment, net		(973)	—	1,624	—	—
Loss/(gain) on disposal of subsidiaries	*35*	4	(3,275)	1	—	—
Fair value gains on investment properties	*14*	(254,227)	(159,818)	(175,812)	(53,012)	(12,500)
Fair value gains on financial assets at fair value through profit or loss		(4,166)	(2,557)	(1,883)	(1,282)	(280)
Depreciation of items of property, plant and equipment	*6,13*	2,773	7,760	8,575	2,868	2,571
Depreciation of right-of-use assets	*6,15(a)*	33	3,765	4,674	1,371	1,776
Amortisation of intangible assets	*6,16*	557	687	904	337	339
Impairment losses recognised for properties under development	*6,20*	44,319	58,521	37,912	12,406	4,652
Impairment losses recognised for financial assets	*6*	1,575	1,152	390	131	605
Remeasurement gain on investment in a joint venture held before business combination	*5*	—	—	(4,891)	—	—
		212,378	3,194,975	2,663,413	459,815	457,998

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Increase in properties under development and completed properties held for sale		(1,643,999)	(3,494,186)	(374,265)	(213,656)	(117,688)
(Increase)/decrease in contract cost assets		(37,331)	15,743	(28,317)	(3,957)	(2,828)
(Increase)/decrease in prepayments, other receivables and other assets		(2,424,889)	(286,758)	96,767	(143,823)	(137,508)
Decrease/(increase) in restricted cash		15,003	(693,659)	(1,257,636)	(268,962)	587,014
Increase in pledged deposits		(296)	(3,060)	(22,021)	(7,990)	(24,688)
(Increase)/decrease in trade receivables		(15,395)	(10,267)	(18,217)	(8,692)	10,944
Increase/(decrease) in trade and bills payables		450,297	167,841	465,109	45,630	(76,672)
(Decrease)/increase in other payables and accruals		(558,625)	927,596	(35,365)	350,751	(49,433)
Increase/(decrease) in contract liabilities		4,707,142	(2,730,915)	2,445,714	1,318,301	850,030
(Increase)/decrease in amounts due from related companies		(1,476)	1,720	(30,458)	(4,858)	11,191
Increase/(decrease) in amounts due to related companies		4,670	5,317	11,115	(8,777)	5,390
Cash from/(used in) operations		707,479	(2,905,653)	3,915,839	1,513,782	1,513,750
Interest received		9,712	15,884	15,804	3,061	5,284
Interest paid		(356,683)	(546,189)	(830,096)	(222,051)	(189,524)
Interest element of rental payments		(5)	(577)	(581)	(166)	(111)
Tax paid		(398,988)	(370,132)	(1,092,979)	(206,169)	(222,666)
Net cash flows (used in)/from operating activities		(38,485)	(3,806,667)	2,007,987	1,088,457	1,106,733

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	*13*	(15,954)	(5,495)	(1,358)	(988)	(33)
Purchase of intangible assets	*16*	(1,059)	(459)	(544)	—	(796)
Acquisition of financial assets at fair value through profit or loss		(530,000)	—	—	—	—
Acquisition of subsidiaries	*34*	(610,046)	—	(8,846)	—	—
Disposal of financial assets at fair value through profit or loss		801,062	19,370	9,303	5,029	3,326
Disposal of subsidiaries	*35*	3,936	(62)	(5)	—	—
Investments in joint ventures		(20,000)	(26,600)	(36,366)	—	(66,360)
Investments in associates		(12,250)	(98,800)	(38,852)	—	(114,067)
Advance to a shareholder	*39*	(420)	(79)	—	—	—
Repayment of advance to a shareholder	*39*	—	—	8,747	—	—
Advances to related companies	*39*	(6,012,201)	(5,766,828)	(5,905,001)	(1,244,405)	(461,017)
Repayment of advances to related companies	*39*	5,482,950	6,109,763	5,203,661	1,478,594	666,608
Disposal of items of property, plant and equipment		1,091	108	10,399	—	—
Net cash flows (used in)/from investing activities		(912,891)	230,918	(758,862)	238,230	27,661

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution by the non-controlling shareholders of subsidiaries		—	156,223	225,589	3,675	—
Capital contribution by the then equity holder of subsidiaries		—	660,000	51,021	12,924	—
Acquisition of subsidiaries from the then equity holder of the subsidiaries		(10,000)	(747,473)	(67,550)	(67,550)	—
Payments for acquisition of non-controlling interest in subsidiaries		—	—	(74,982)	—	—
Receipts from sales and lease back transactions		72,652	4,834	545	545	—
Principal portion of lease payments		(68)	(2,319)	(4,672)	(1,376)	(1,836)
Advances from related companies	*39*	53,000	901,992	377,030	99,834	870,357
Repayment of advances from related companies	*39*	(53,357)	(52,040)	(583,902)	(568,984)	(333,643)
Dividends paid to the then equity holder of a subsidiary		—	(13,148)	—	—	—
Disposal of partial interests in subsidiaries without losing control		—	516,000	24,041	24,041	—
(Increase)/decrease in pledged deposits		—	(70,314)	47,154	2,449	848
Proceeds from interest-bearing bank and other borrowings		4,284,258	6,188,919	6,228,771	2,217,600	1,719,900
Repayment of interest-bearing bank and other borrowings		(3,132,780)	(4,018,518)	(6,853,340)	(2,373,558)	(2,878,135)
Net cash flows from/(used in) financing activities		1,213,705	3,524,156	(630,295)	(650,400)	(622,509)

	Notes	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		262,329	(51,593)	618,830	676,287	511,885
Cash and cash equivalents at beginning of year/period		243,933	506,262	454,669	454,669	1,073,499
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		506,262	454,669	1,073,499	1,130,956	1,585,384
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*26*	828,640	1,544,080	3,484,305	2,494,870	3,433,016
Less: Restricted cash	*26*	320,474	1,014,133	2,360,661	1,283,095	1,773,647
Pledged deposits	*26*	1,904	75,278	50,145	80,819	73,985
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		506,262	454,669	1,073,499	1,130,956	1,585,384

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2018	31 December 2019	30 April 2020
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries		342	51,363	51,363
Total non-current assets		342	51,363	51,363
CURRENT ASSETS				
Cash and cash equivalents		—	—	—
Prepayments, other receivables and other assets		15	11	11
Total current assets		15	11	11
CURRENT LIABILITIES				
Other payables and accruals		—	—	171
Due to subsidiaries		342	342	342
Total current liabilities		342	342	513
NET CURRENT LIABILITIES		(327)	(331)	(502)
TOTAL ASSETS LESS CURRENT LIABILITIES		15	51,032	50,861
NON-CURRENT LIABILITIES		—	—	—
NET ASSETS		15	51,032	50,861
EQUITY				
Share capital	*31*	15	11	11
Reserves		—	51,021	50,850
TOTAL EQUITY		15	51,032	50,861

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 21 August 2018. 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 Relevant Periods, the subsidiaries now comprising the Group were involved in property development, property leasing and providing consulting services (the "Listing Business") in the People's Republic of China (the "PRC"). The immediate holding company of the Company is Yongheng Holdings Limited. The controlling shareholders of the Group are Ms. Zhu Jing, Mr. Lin Jinfeng, Yongheng Holdings Limited, FULVA Holdings Limited and Ginkgo Gofar Holdings Limited (collectively, the "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation which was completed on 28 June 2019 as set out in the paragraph headed "Reorganisation" in the section headed "Our History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in more than 100 subsidiaries, the particulars of the principal subsidiaries are set out below:

Name of subsidiaries	*Notes*	**Place and date of incorporation/ establishment and place of operations**	**Nominal value of registered share capital**	**Percentage of effective equity interest attributable to the Company**	**Principal activities**
Directly held:					
Inspiration Holdings Limited ("Inspiration Holdings")**	*(1)*	British Virgin Islands/ 3 September 2018	United States dollar ("US$")50,000	100%	Investment holding
Foison Treasure Limited ("Foison Treasure")**	*(1)*	British Virgin Islands/ 10 July 2018	US$50,000	100%	Investment holding
Indirectly held:					
Winning Concord Enterprises Limited ("Winning Concord")**	*(1)*	Hong Kong/ 28 August 2018	Hong Kong dollar ("HK$")1	100%	Investment holding
Wanxie HK Limited ("Wanxie HK")**	*(1)*	Hong Kong/ 2 October 2018	HK$1	100%	Investment holding

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of effective equity interest attributable to the Company	Principal activities
			('000)		
Indirectly held: (continued)					
上海融振企業管理諮詢有限公司 Shanghai Rongzhen Business Management Consulting Co., Ltd. ("Shanghai Rongzhen")*	*(1)*	PRC/Mainland China 31 October 2018	RMB10,000	100%	Investment holding
上海兆坤實業有限公司 Shanghai Zhaokun Industrial Co., Ltd. ("Zhaokun Industrial")**	*(1)*	PRC/Mainland China 7 May 2018	RMB70,000	100%	Investment holding
上坤置業有限公司 Sunkwan Properties Co., Ltd. *(Note d)* ("Sunkwan Properties")**	*(3)*	PRC/Mainland China 15 June 2011	RMB2,000,000	100%	Property development
上海新鑰投資有限公司 Shanghai Xinyao Investment Co., Ltd. *(Note a)* ("Shanghai Xinyao")**	*(1), (11)*	PRC/Mainland China 10 July 2015	RMB10,000	50%	Investment holding
上海權坤投資有限公司 Shanghai Quankun Investment Co., Ltd. *(Note a)* ("Shanghai Quankun")**	*(1), (12)*	PRC/Mainland China 10 July 2015	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")**	*(2)*	PRC/Mainland China 6 April 2001	RMB289,964	50%	Property development
上海寓勝企業管理諮詢合夥企業 (有限合夥) Shanghai Yusheng Business Management Consulting Partnership (Limited Partnership) ("Shanghai Yusheng")***	*(1)*	PRC/Mainland China 19 April 2017	RMB30,000	100%	Investment holding
上海龍樞物業管理有限公司 Shanghai Longshu Property Management Co., Ltd. ("Shanghai Longshu")**	*(1)*	PRC/Mainland China 5 August 2016	RMB30,000	100%	Property leasing

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of effective equity interest attributable to the Company	Principal activities
			('000)		
Indirectly held: (continued)					
上海龍呂物業管理有限公司 Shanghai Longlv Property Management Co., Ltd. ("Shanghai Longlv")**	*(1)*	PRC/Mainland China 5 August 2016	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")**	*(1)*	PRC/Mainland China 5 August 2016	RMB30,000	100%	Property leasing
上海坤輝置業有限公司 Shanghai Kunhui Property Co., Ltd. *(Note a)* ("Shanghai Kunhui")**	*(2)*	PRC/Mainland China 13 January 2015	RMB20,000	50%	Property development
上海乾嶸置業有限公司 Shanghai Qianrong Property Co., Ltd. *(Note b)* ("Shanghai Qianrong")**	*(2)*	PRC/Mainland China 18 March 2011	RMB8,050	100%	Property development and property leasing
上海上坤東聚置業有限公司 Shanghai Sunkwan Dongju Property Co., Ltd. ("Sunkwan Dongju")**	*(2)*	PRC/Mainland China 27 November 2012	RMB85,000	100%	Property development
上海上坤淞發置業有限公司 Shanghai Sunkwan Songfa Property Co., Ltd. ("Shanghai Sunkwan Songfa")**	*(2)*	PRC/Mainland China 21 January 2015	RMB50,000	100%	Property development and property leasing
蘇州坤翔置業有限公司 Suzhou Kunxiang Property Co., Ltd. *(Note c)* ("Suzhou Kunxiang")**	*(4)*	PRC/Mainland China 9 October 2016	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")**	*(1)*	PRC/Mainland China 12 November 2015	RMB500	100%	Property leasing

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of effective equity interest attributable to the Company	Principal activities
			('000)		
Indirectly held: (continued)					
合肥佳坤置業有限公司 Hefei Jiakun Property Co., Ltd. ("Hefei Jiakun")**	*(5)*	PRC/Mainland China 9 August 2017	RMB426,200	100%	Property development
杭州坤鑫置業有限公司 Hangzhou Kunxin Property Co., Ltd. ("Hangzhou Kunxin")**	*(6)*	PRC/Mainland China 1 November 2017	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")**	*(1), (9)*	PRC/Mainland China 14 February 2018	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")**	*(1), (13)*	PRC/Mainland China 31 May 2018	RMB400,000	34%	Property development
慈溪恒坤置業有限公司 Cixi Hengkun Property Co., Ltd. *(Note a)* ("Cixi Hengkun")**	*(1), (14)*	PRC/Mainland China 4 February 2018	RMB10,000	30%	Property development
杭州上坤置業有限公司 Hangzhou Sunkwan Property Co., Ltd. ("Hangzhou Sunkwan")**	*(1)*	PRC/Mainland China 18 May 2017	RMB8,000	100%	Investment holding
慈溪瑞坤置業有限公司 Cixi Ruikun Property Co., Ltd. *(Note b)* ("Cixi Ruikun")**	*(1)*	PRC/Mainland China 15 March 2018	RMB10,000	100%	Investment holding
蘇州坤成置業有限公司 Suzhou Kuncheng Property Co., Ltd. *(Note b)* ("Suzhou Kuncheng")**	*(1)*	PRC/Mainland China 1 February 2018	RMB30,000	100%	Investment holding

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of effective equity interest attributable to the Company	Principal activities
			('000)		
Indirectly held: (continued)					
金華璟坤置業有限公司 Jinhua Jingkun Property Co., Ltd. *(Note c)* ("Jinhua Jingkun")**	*(7), (15)*	PRC/Mainland China 10 May 2018	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")**	*(8)*	PRC/Mainland China 25 December 2017	RMB80,000	25%	Property development
上饒市宜居置業有限公司 Shangrao Yiju Property Co., Ltd. ("Shangrao Yiju")**	*(1)*	PRC/Mainland China 21 June 2018	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")**	*(1)*	PRC/Mainland China 7 September 2017	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")**	*(1)*	PRC/Mainland China 6 May 2019	RMB120,000	40%	Property development
東陽坤宇置業有限公司 Dongyang Kunyu Property Co., Ltd. *(Note a)* ("Dongyang Kunyu")**	*(1), (10)*	PRC/Mainland China 27 August 2018	RMB400,000	38.25%	Property development
天門上坤置業有限公司 Tianmen Sunkwan Property Co., Ltd. ("Tianmen Sunkwan")**	*(1)*	PRC/Mainland China 29 May 2018	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")**	*(1)*	PRC/Mainland China 16 August 2019	RMB10,000	100%	Property development

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of effective equity interest attributable to the Company	Principal activities
			('000)		
Indirectly held: (continued)					
杭州夢坤置業有限公司 Hangzhou Mengkun Property Co., Ltd. *(Note b)* ("Hangzhou Mengkun")**	*(1)*	PRC/Mainland China 8 April 2019	RMB10,000	100%	Investment holding
杭州翼坤置業有限公司 Hangzhou Yikun Property Co., Ltd. *(Note b)* ("Hangzhou Yikun")**	*(1)*	PRC/Mainland China 28 February 2018	RMB8,000	100%	Investment holding
上海東匠置業有限公司 Shanghai Dongjiang Property Co., Ltd. *(Note b)* ("Shanghai Dongjiang")**	*(1)*	PRC/Mainland China 18 April 2018	RMB333,330	100%	Investment holding
寧波悦遠置業有限公司 Ningbo Yueyuan Property Co., Ltd. *(Note a)* ("Ningbo Yueyuan")**	*(1)*	PRC/Mainland China 29 July 2019	RMB20,000	25%	Property development
深圳上坤投資有限公司 Shenzhen Sunkwan Investment Co., Ltd. ("Shenzhen Sunkwan")**	*(1)*	PRC/Mainland China 31 October 2016	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")**	*(1)*	PRC/Mainland China 25 May 2020	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")**	*(1)*	PRC/Mainland China 9 June 2020	RMB50,000	52%	Property development
佛山丹坤置業有限公司 Foshan Dankun Real Estate Co., Ltd. ("Foshan Dankun")**	*(1)*	PRC/Mainland China 6 June 2020	RMB10,000	100%	Property development

* The legal form of this subsidiary is a Wholly Foreign-Owned Enterprise.

** The legal form of these subsidiaries is limited liability company.

*** The legal form of this subsidiary is limited partnership enterprise.

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.

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, 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%
Shanghai Kunhui	51.00%
Cixi Chonggui	56.67%
Cixi Xingkun	51.00%
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%

Note b The Group legally transferred partial interests of these subsidiaries as collateral to independent trust companies under financing arrangements as at 30 April 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	30.00%
Hangzhou Mengkun	99.00%
Hangzhou Yikun	99.00%
Shanghai Dongjiang	60.00%

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 protective 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.

Note d Formerly known as Shanghai Sunkwan Properties Co., Ltd. ("上海上坤置業有限公司").

Notes:

(1) No audited financial statements have been prepared for these entities since incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(2) The statutory financial statements of these entities for the year ended 31 December 2017, prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Shanghai Xusheng Accounting Firm (上海旭升會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2018 and 2019.

(3) The statutory financial statements of this entity for the year ended 31 December 2017, 2018 and 2019 prepared in accordance with PRC GAAP and regulations were audited by Shanghai Xusheng Accounting Firm (上海旭升會計師事務所), Shanghai Haoyin C.P.A Partnership (上海灝銀會計師事務所) and Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)), respectively, which were certified public accounting firms registered in the PRC.

(4) The statutory financial statements of this entity for the year ended 31 December 2017 and 2018 prepared in accordance with PRC GAAP and regulations were audited by Shanghai Xusheng Accounting Firm (上海旭升會計師事務所) and Jiangsu Haitian Certified Public Accountants Co., Ltd. (江蘇海天會計師事務所有限公司), respectively, which were certified public accounting firms registered in the PRC. No audited financial statements have been prepared and issued for the year ended 31 December 2019.

(5) The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations were audited by Hefei Zhong Run Guo Yuan Certified Public Accountants (General Partnership) (合肥中潤國元會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its establishment to 31 December 2017 and the year ended 31 December 2019.

(6) The statutory financial statements of this entity for the year ended 31 December 2018 and 2019 prepared in accordance with PRC GAAP and regulations were audited by Hangzhou Lianxin Certified Public Accountants (杭州聯信會計師事務所), a certified public accounting firm registered in the PRC. No audited financial statements have been prepared and issued for the period from the date of its establishment to 31 December 2017.

(7) The statutory financial statements of this entity for the period from its date of establishment to 31 December 2018 and the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations were audited by Hangzhou Lianxin Certified Public Accountants (杭州聯信會計師事務所), a certified public accounting firm registered in the PRC.

(8) No statutory financial statements of this entity have been prepared for the period from its date of establishment to 31 December 2017. The statutory financial statements of this entity for the year ended 31 December 2018 and 2019, prepared in accordance with PRC GAAP and regulations were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.

(9) As at 31 December 2018, the Group held 23.33% of equity interests in Cixi Chonggui, which is accounted for as a subsidiary of the Group because the Group had 56.67% voting rights in the shareholders' meeting by being delegated 33.34% of the equity holder's right from the other equity holder to control and operate the entity.

According to the resolution of the shareholders' meeting on 29 September 2019, one of the shareholders transferred 10% of equity interests in Cixi Chonggui to the Group. Thus, the Group owned 56.67% of voting right with 33.33% of equity interests and 23.34% of delegated equity holder's right since then.

(10) As at 31 December 2018, the Group held 51% of equity interests in Dongyang Kunyu, which is accounted for as a subsidiary of the Group.

According to the resolution of the shareholders' meeting on 28 March 2019, the Group transferred 12.75% of equity interests in Dongyang Kunyu to a third party. Thus, the Group held 38.25% of equity interests and continued to account for Dongyang Kunyu as a subsidiary because the Group has 75% voting rights in the shareholders' meeting by being delegated 36.75% of the equity holder's right from the other equity holder to control and operate the entity.

(11) As at 31 December 2017 and 2018, the Group held 45% of equity interests in Shanghai Xinyao, which was accounted for as a subsidiary of the Group, because the Group had 51% voting rights in the shareholders' meeting by being delegated 6% of the equity holder's right from the other equity holder to control and operate the entity.

According to the resolution of the shareholders' meeting on 30 November 2019, one of the shareholders transferred 5% of equity interests in the entity to the Group. Thus, the Group owned 51% of voting right with 50% of equity interests and 1% of delegated equity holder's right since then.

(12) As at 31 December 2017 and 2018, the Group held 45% of equity interests in Shanghai Quankun, which was accounted for as a subsidiary of the Group, because the Group had 51% voting rights in the shareholders' meeting by being delegated 6% of the equity holder's right from the other equity holder to control and operate the entity.

According to the resolution of the shareholders' meeting on 30 November 2019, one of the shareholders transferred 5% of equity interests in the entity to the Group. Thus, the Group owned 51% of voting right with 50% of equity interests and 1% of delegated equity holder's right since then.

(13) The Group held 100% equity interests in Cixi Xingkun since Cixi Xingkun's incorporation. According to the resolution of the shareholders' meeting on 1 August 2018, the Group transferred 66% of equity interests in Cixi Xingkun to third parties. Pursuant to the articles of association of Cixi Xingkun, The Group controls the exercise of 51% of the voting rights in Cixi Xingkun to control and operate the entity. As a result, the Group accounted Cixi Xingkun as a subsidiary.

(14) The Group held 100% equity interests in Cixi Hengkun since Cixi Hengkun's incorporation. According to the resolution of the shareholders' meeting on 30 May 2018, the Group transferred 70% of equity interests in Cixi Hengkun to third parties. Thus, the Group held 30% of equity interests and accounted Cixi Hengkun as a subsidiary because the Group has 60% voting rights in the shareholders' meeting by being delegated 30% of the equity holder's right from the other equity holder to control and operate the entity.

(15) The Group held 100% equity interests in Jinhua Jingkun since Jinhua Jingkun's incorporation. According to the resolution of the shareholders' meeting on 12 October 2018, the Group transferred 49% of equity interests in Jinhua Jingkun to a third party. Thus, the Group held 51% of equity interests and continued to account for Jinhua Jingkun as a subsidiary.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "Our history, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 June 2019. Immediately prior to and after the Reorganisation, the Listing Business is ultimately controlled by Controlling Shareholders. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganization of the Listing Business with no change in management and the ultimate owner of the Listing Business remained the same. Accordingly, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting for the companies now comprising the Group which were under the common control of the Controlling Shareholders before and after the Reorganisation; and accordingly, the Financial Information of the Group is presented using the carrying values of the Listing Business for all period presented. However, for the companies acquired from third parties via business combination which now comprising the Group have been accounted for by applying the acquisition method in accordance with IFRS 3 Business Combinations.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the four months ended 30 April 2019 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 April 2020 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation in full.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). Except for Amendments to IFRS3 *Definition of a Business* which is applied prospectively to the transactions that occur on or after 1 January 2020, all IFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information on a consistent basis throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss ("FVTPL"), which have been measured at fair value.

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 this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

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 Contract*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IFRS 16	*Leases for covid-19 related rent concessions*[1]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to IAS 37	*Onerous Contract — Cost of Fulfilling a Contract*[3]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, IAS 41 and Illustrative Examples accompanying IFRS 16*[3]

[1] Effective for annual periods beginning on or after 1 June 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective for annual periods beginning on or after 1 January 2022

[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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 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 in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable.

Business combinations other than common control combinations

Business combinations other than those under common control 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 interest 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 interest 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.

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.

Business combination of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. The results of subsidiaries are combined from the beginning of the Relevant Periods or the date on which a subsidiary first came under the common control of the controlling shareholders, whichever is later, and continue to be consolidated until the date that the Company's control ceases. The assets and liabilities of the combining entities are reflected at their existing carrying values at the date of combination. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, is recorded as part of equity.

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 statements 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 statements 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 statements 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.

Fair value measurement

The Group measures its investment properties and financial assets at FVTPL at fair value at the end of each of the Relevant Periods. 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 Historical Financial Information 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 each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale, contract assets, deferred tax assets and investment properties), 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 of the Relevant Periods 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.

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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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 the statements of profit or loss and other comprehensive income 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 annual rates used for this purpose 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.

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 each of the Relevant Periods.

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 IAS 16 *Property, Plant and Equipment* 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 and carried in the asset revaluation reserve in equity. 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.

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 statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings 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.

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.

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".

(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 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.

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.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs) and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the statement of financial position recognition exemption, the Group classifies the sublease as an operating lease.

Sale and leaseback

The Group transfers an asset to its customer (the buyer-lessor) and leases that asset back from the buyer-lessor, 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.

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.

Financial assets at FVTPL

Financial assets at FVTPL 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 the statement of 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.

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 the end of each of Relevant Periods, 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

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 established a provision matrix 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 FVTPL, loans and borrowings, or payables, 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 companies.

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.

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, and only 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 liability 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.

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 the statements of profit or loss and other comprehensive income.

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.

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 of the Relevant Periods 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 of the Relevant Periods 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 each of the Relevant Periods.

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.

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.

Revenue recognition

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is recognised after eliminating intragroup sales income and costs.

Sale of properties

Revenue from development properties for sale is recognised at the point in time when customers obtain the physical possession or the legal title of the completed properties and the Group has right to payment and collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the financing component if it is significant.

Consulting services

Consulting 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.

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

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 the profit or loss on a systematic basis that is consistent with the pattern of recognition of the revenue 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 contributions are charged to the statement of 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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 Historical Financial Information 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 Historical Financial Information 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 each of the Relevant Periods. 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 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 of the Relevant Periods and its 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 Historical Financial Information 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 Historical Financial Information:

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 a 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, the local regulators' view and obtained legal advice, and a significant judgement is required.

Property lease classification — the Group as lessor

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.

Classification of subsidiaries, joint ventures and associates

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 board of directors' meetings and shareholders' meetings, as well as other facts and circumstances. As disclosed in note 1(a) to the Historical Financial Information, the Group entered into voting right entrustment agreement or articles of associations with the equity holders of some entities, pursuant to which the equity holders agreed to entrust its voting rights attached to certain equity interest in these entities to the Group. Consequently, the Group considers that it controls these entities, notwithstanding the fact that it does not hold majority equity interest. Accordingly, these entities have been accounted for as subsidiaries during the Relevant Periods and the four months ended 30 April 2019. As disclosed in note 1(b) to the Historical Financial Information, the Group legally transferred partial interests of some entities as collateral to independent trust companies under financing arrangements, pursuant to which, the Group was obliged to repurchase the equity interests held by trust companies at a fixed amount upon repayment of the borrowings. 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 protective in nature. In this regard, the investments from trust companies are treated as liabilities of the Group and these entities are considered as subsidiaries.

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 Historical Financial Information.

Significant financing component in contracts with customers

In determining whether a contract contains a financing component and whether that financing component is significant to the contract, the Group need to assess: a) the difference, if any, between the amount of promised consideration and the cash selling price of the promised goods or services; and b) the combined effect of both of the following: (i) the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services; and (ii) the prevailing interest rates in the relevant market. Such determination requires significant judgements. The Group has reviewed the terms of the contracts and realized there are differences between the amount of promised consideration and the cash selling price of the promised properties where the period between the payment by customers and the transfer of the promised properties exceeds one year. Therefore, the amount of consideration is adjusted for the effect of a significant financing component.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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 estimate 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. Further details are included in note 10 to the Historical Financial Information.

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 realise. Further details are included in note 10 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimate of fair value of investment properties

Investment properties carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2017, 2018, 2019 and 30 April 2020 were RMB2,582,000,000, RMB2,742,100,000, RMB2,918,400,000 and RMB2,930,900,000, respectively.

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, similar nature of the aforementioned business processes, 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 each of the Relevant Periods and four months ended 30 April 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers	1,169,137	6,795,205	7,471,306	1,133,461	1,131,997
Revenue from other sources					
Gross rental income from investment property operating leases	31,965	52,231	63,853	18,382	16,503
	1,201,102	6,847,436	7,535,159	1,151,843	1,148,500

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Type of goods or services:					
Sale of properties	1,169,137	6,789,127	7,449,198	1,129,572	1,124,182
Consulting services	—	6,078	22,108	3,889	7,815
Total revenue from contracts with customers	1,169,137	6,795,205	7,471,306	1,133,461	1,131,997
Timing of revenue recognition					
Properties transferred at a point in time	1,169,137	6,789,127	7,449,198	1,129,572	1,124,182
Services transferred over time	—	6,078	22,108	3,889	7,815
Total revenue from contracts with customers	1,169,137	6,795,205	7,471,306	1,133,461	1,131,997

The following table shows the amounts of revenue recognised in the Relevant Periods and four months ended 30 April 2019 that were included in the contract liabilities at the beginning of respective periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period					
Sale of properties	776,151	6,522,594	4,342,400	1,097,808	941,665

(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.

Consulting service

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to sales of properties as at the end of each of the Relevant Periods are as follows:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:				
Within one year	6,591,319	4,847,430	6,482,591	6,474,438
After one year	1,214,381	1,322,247	2,564,356	3,541,416
	7,805,700	6,169,677	9,046,947	10,015,854

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to 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.

An analysis of other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income and gains					
Remeasurement gain on investment in a joint venture held before business combination *(note 34(d))*	—	—	4,891	—	—
Gain on disposal of subsidiaries *(note 35(b))*	—	3,275	—	—	—
Forfeiture of deposits	2,878	2,929	1,853	236	357
Government grants	1,342	1,133	3,866	562	1,033
Gain on disposal of items of property, plant and equipment	973	—	64	—	—
Others	92	209	568	350	170
	5,285	7,546	11,242	1,148	1,560

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of properties sold *(note 21)*	779,723	3,253,699	4,409,138	562,628	544,956
Impairment losses recognised for properties under development *(note 20)*	44,319	58,521	37,912	12,406	4,652
Impairment losses recognised for financial assets *(notes 22 and 23)*	1,575	1,152	390	131	605
Depreciation of property, plant and equipment *(note 13)*	2,773	7,760	8,575	2,868	2,571
Depreciation of right-of-use assets *(note 15(a))*	33	3,765	4,674	1,371	1,776
Lease payments not included in the measurement of lease liabilities	2,077	6,807	5,528	2,720	741
Auditor's remuneration	896	1,514	1,062	354	360
Amortisation of intangible assets *(note 16)*	557	687	904	337	339
Loss/(gain) on disposal of subsidiaries *(note 35)*	4	(3,275)	1	—	—
(Gain)/loss on disposal of items of property, plant and equipment	(973)	—	1,624	—	—
Employee benefit expense (including directors' and chief executive's remuneration in note 8):					
Wages and salaries	62,120	142,889	173,074	51,173	65,476
Pension scheme contributions and social welfare	12,532	29,892	35,284	10,697	11,337

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on interest-bearing bank and other borrowings	362,878	648,134	763,884	234,347	232,622
Interest on lease liabilities	2,918	5,403	4,704	1,540	1,174
Interest expense arising from revenue contracts	211,483	204,617	238,794	55,493	82,542
Total interest expense on financial liabilities not at fair value through profit or loss	577,279	858,154	1,007,382	291,380	316,338
Less: Interest capitalised	(357,216)	(576,843)	(745,648)	(220,831)	(240,884)
	220,063	281,311	261,734	70,549	75,454

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods and four months ended 30 April 2019 until the Company was incorporated on 21 August 2018. 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.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	1,500	3,117	4,316	1,284	2,480
Performance related bonuses	1,380	864	3,228	1,076	995
Pension scheme contributions and social welfare remuneration	264	285	375	99	88
Total	3,144	4,266	7,919	2,459	3,563

(a) Independent non-executive director

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. There was no emolument payable to the independent non-executive director during the Relevant Periods and four months ended 30 April 2019.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2017

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare remuneration	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Ms. Zhu Jing	833	1,059	88	1,980
— Mr. Yang Zhandong	371	192	88	651
— Ms. Sheng Jianjing	296	129	88	513
	1,500	1,380	264	3,144
Non-executive directors:				
— Mr. Lin Jinfeng	—	—	—	—
— Ms. Lin Zhaohong	—	—	—	—
	1,500	1,380	264	3,144

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare remuneration	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Ms. Zhu Jing	1,285	420	95	1,800
— Mr. Yang Zhandong	1,154	300	95	1,549
— Ms. Sheng Jianjing	678	144	95	917
	3,117	864	285	4,266
Non-executive directors:				
— Mr. Lin Jinfeng	—	—	—	—
— Ms. Lin Zhaohong	—	—	—	—
	3,117	864	285	4,266

Year ended 31 December 2019

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare remuneration	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

Four months ended 30 April 2019 (unaudited)

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare remuneration	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Ms. Zhu Jing	602	732	33	1,367
— Mr. Yang Zhandong	348	204	33	585
— Ms. Sheng Jianjing	334	140	33	507
	1,284	1,076	99	2,459
Non-executive directors:				
— Mr. Lin Jinfeng	—	—	—	—
— Ms. Lin Zhaohong	—	—	—	—
	1,284	1,076	99	2,459

Four months ended 30 April 2020

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare remuneration	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Ms. Zhu Jing	1,710	738	27	2,475
— Mr. Yang Zhandong	399	147	34	580
— Ms. Sheng Jianjing	371	110	27	508
	2,480	995	88	3,563
Non-executive directors:				
— Mr. Lin Jinfeng	—	—	—	—
— Ms. Lin Zhaohong	—	—	—	—
	2,480	995	88	3,563

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 included three directors, two directors, one director, one director and one director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 of the remaining two, three, four, four and four highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	722	2,727	6,374	1,933	2,344
Performance related bonuses	626	1,500	4,233	1,411	693
Pension scheme contributions and social welfare	140	271	475	131	108
	1,488	4,498	11,082	3,475	3,145

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
				(unaudited)	
Nil to HK$500,000	—	—	—	—	—
HK$500,001 to HK$1,000,000	1	—	—	3	3
HK$1,000,001 to HK$1,500,000	1	2	—	1	1
HK$1,500,001 to HK$2,000,000	—	—	—	—	—
HK$2,000,001 to HK$2,500,000	—	1	—	—	—
HK$2,500,001 to HK$3,000,000	—	—	3	—	—
HK$3,000,001 to HK$3,500,000	—	—	—	—	—
HK$3,500,001 to HK$4,000,000	—	—	1	—	—
	2	3	4	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 during the Relevant Periods and the four months ended 30 April 2019.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the Relevant Periods.

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.

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
Corporate income tax	100,633	965,461	866,068	125,736	136,154
LAT	91,611	1,671,728	1,275,595	235,040	81,261
Deferred tax *(note 19)**	(9,040)	(296,955)	(265,047)	2,629	13,688
Total tax charge for the year/period	183,204	2,340,234	1,876,616	363,405	231,103

* The substantial amount of deferred tax credit in 2018 and 2019 is mainly due the deferred tax recognised for the provision of land appreciation tax ("LAT"). The Group accrued LAT of RMB1,671,728,000 and RMB1,275,595,000 in 2018 and 2019, respectively, mainly due to the delivery of Sheshan Country Club properties, resulting in a deferred tax credit of RMB330,746,000 and RMB290,035,000 being recognised.

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 for each of the Relevant Periods and four months ended 30 April 2019:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	217,782	3,013,142	2,553,505	433,488	389,518
Tax at the statutory tax rate	54,446	753,286	638,376	108,372	97,380
Profits and losses attributable to joint ventures and associates	(1,413)	2,543	(1,879)	(995)	287
Expenses not deductible for tax	2,531	3,243	3,887	770	951
Cost not deductible for tax	—	230,309	181,703	34,678	35,770
Tax losses utilised from previous years	(1,022)	(53)	(3,974)	(3,836)	—
Tax losses not recognised	32,922	62,795	77,446	28,598	21,042
Deductible temporary differences not recognised	27,032	34,315	24,361	19,538	14,727
Provision for LAT	91,611	1,671,728	1,275,595	235,040	81,261
Tax effect on LAT	(22,903)	(417,932)	(318,899)	(58,760)	(20,315)
Tax charge at the Group's effective rate	183,204	2,340,234	1,876,616	363,405	231,103

The share of tax charge attributable to joint ventures and associates amounted to RMB1,944,000, RMB2,428,000, RMB11,709,000, RMB3,558,000 and RMB2,569,000 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020 respectively. The share of tax credit attributable to joint ventures and associates amounted to RMB61,000, RMB5,818,000, RMB9,204,000, RMB2,231,000 and RMB2,951,000 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, respectively. Both are included in "Share of profits and losses of joint ventures and associates" in the consolidated statements of profit or loss and other comprehensive income.

Tax payables in the consolidated statements of financial position represent:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax payables:				
Corporate income tax	80,022	775,868	795,224	779,405
LAT	89,009	1,394,023	2,554,163	2,576,643
	169,031	2,169,891	3,349,387	3,356,048

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods and four months ended 30 April 2019 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017					
At 31 December 2016 and 1 January 2017:					
Cost	14,212	1,285	1,474	—	16,971
Accumulated depreciation	(225)	(1,160)	(852)	—	(2,237)
Net carrying amount	13,987	125	622	—	14,734
At 1 January 2017, net of accumulated depreciation	13,987	125	622	—	14,734
Additions	—	2,364	811	12,779	15,954
Acquisition of subsidiaries *(note 34)*	143,971	—	—	—	143,971
Disposals	—	(118)	—	—	(118)
Depreciation provided during the year *(note 6)*	(2,063)	(318)	(392)	—	(2,773)
At 31 December 2017, net of accumulated depreciation	155,895	2,053	1,041	12,779	171,768
At 31 December 2017:					
Cost	158,183	2,364	2,285	12,779	175,611
Accumulated depreciation	(2,288)	(311)	(1,244)	—	(3,843)
Net carrying amount	155,895	2,053	1,041	12,779	171,768
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	158,183	2,364	2,285	12,779	175,611
Accumulated depreciation	(2,288)	(311)	(1,244)	—	(3,843)
Net carrying amount	155,895	2,053	1,041	12,779	171,768
At 1 January 2018, net of accumulated depreciation	155,895	2,053	1,041	12,779	171,768
Additions	—	2,982	1,837	676	5,495
Disposals	—	(92)	(16)	—	(108)
Depreciation provided during the year *(note 6)*	(3,452)	(774)	(828)	(2,706)	(7,760)
At 31 December 2018, net of accumulated depreciation	152,443	4,169	2,034	10,749	169,395

	Buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018:					
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
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
30 April 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	—	—	33	—	33
Depreciation provided during the period (note 6)	(926)	(324)	(394)	(927)	(2,571)
At 30 April 2020, net of accumulated depreciation	136,103	3,006	1,467	7,041	147,617
At 30 April 2020:					
Cost	143,971	5,351	5,292	13,455	168,069
Accumulated depreciation	(7,868)	(2,345)	(3,825)	(6,414)	(20,452)
Net carrying amount	136,103	3,006	1,467	7,041	147,617

Certain of the Group's property, plant and equipment with aggregate carrying amounts of approximately RMB142,582,000, RMB139,805,000, RMB137,029,000 and RMB136,103,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 30).

14. INVESTMENT PROPERTIES

	Completed	Under construction	Held under leases	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 31 December 2016 and 1 January 2017	358,000	964,900	16,800	1,339,700
Additions	—	—	486	486
Acquisition of subsidiaries *(note 34)*	987,587	—	—	987,587
Net gain from a fair value adjustment	158,213	47,300	48,714	254,227
Carrying amount at 31 December 2017 and 1 January 2018	1,503,800	1,012,200	66,000	2,582,000
Additions	—	—	282	282
Net gain from a fair value adjustment	116,700	49,800	(6,682)	159,818
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
Net gain from a fair value adjustment	9,400	9,000	(5,900)	12,500
Carrying amount at 30 April 2020	1,769,400	1,118,300	43,200	2,930,900

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on 31 December 2017, 2018 and 2019 and 30 April 2020 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent professionally qualified valuer, at RMB2,582,000,000, RMB2,742,100,000, RMB2,918,400,000 and RMB2,930,900,000, respectively. 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 sales and leaseback transactions, under which The Group sell a property and then lease it back from the owner to generate various income streams, such as rental and management fees. Under the sales 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 fail to fulfil contract obligations stipulated in the sale and leaseback agreements. The gains arising from the sales and leaseback transactions were RMB140,807,000, RMB9,948,000, RMB1,880,000 and nil for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020, respectively.

The income from subleasing those right-of-use assets were RMB9,315,000, RMB12,520,000, RMB14,794,000 and RMB2,844,000 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020.

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 values of approximately RMB2,516,000,000, RMB2,682,500,000 and RMB2,869,300,000 and RMB1,769,400,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively, 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 2017 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties				
Under construction	—	—	1,012,200	1,012,200
Completed	—	—	1,503,800	1,503,800
Held under leases	—	—	66,000	66,000
	—	—	2,582,000	2,582,000

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties				
Under construction	—	—	1,062,000	1,062,000
Completed	—	—	1,620,500	1,620,500
Held under leases	—	—	59,600	59,600
	—	—	2,742,100	2,742,100

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
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

	Fair value measurement as at 30 April 2020 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties				
Under construction	—	—	1,118,300	1,118,300
Completed	—	—	1,769,400	1,769,400
Held under leases	—	—	43,200	43,200
	—	—	2,930,900	2,930,900

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

			Range or weighted average			
			31 December			30 April
	Valuation techniques	Significant unobservable inputs	2017	2018	2019	2020
Commercial properties completed	Income approach	Expected rental value (per square metre per month)	RMB86-171	RMB90-180	RMB96-189	RMB96-189
		Capitalisation rate	2.5-5.5%	2.5-5.5%	2.5-5.5%	2.5-5.5%
Commercial properties under construction	Comparison method	Comparable market value (per square metre)	RMB10,000-11,247	RMB10,000-11,247	RMB10,000-11,247	RMB10,000-11,873
Commercial properties held under leases	Income approach	Expected rental value (per square metre per month)	RMB100-166	RMB105-174	RMB111-183	RMB111-183
		Capitalisation rate	5.5-6%	5.5-6%	5.5-6%	5.5-6%

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;
- 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 Relevant Periods are as follows:

	Office buildings			
	31 December 2017	**31 December 2018**	**31 December 2019**	**30 April 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	5	1,050	6,688	4,472
Additions	1,078	9,403	2,458	—
Depreciation charge during the year/period *(note 6)*	(33)	(3,765)	(4,674)	(1,776)
Carrying amount at end of the year/period	1,050	6,688	4,472	2,696

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	31 December 2017	**31 December 2018**	**31 December 2019**	**30 April 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	19,632	96,695	113,722	116,664
New leases	74,218	14,520	3,491	—
Accretion of interest recognised during the year/period	2,918	5,403	4,704	1,174
Payments	(73)	(2,896)	(5,253)	(1,947)
Carrying amount at end of the year/period	96,695	113,722	116,664	115,891
Analysed into:				
Current portion	302	3,716	34,307	33,495
Non-current portion	96,393	110,006	82,357	82,396

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on lease liabilities	2,918	5,403	4,704	1,540	1,174
Depreciation charge of right-of-use assets	33	3,765	4,674	1,371	1,776
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the end of reporting period	1,781	6,353	4,768	2,482	610
Expense relating to leases of low-value assets	296	454	760	238	131
Total amount recognised in profit or loss	5,028	15,975	14,906	5,631	3,691

(d) The total cash outflow for leases is disclosed in note 36(c) to the Historical Financial Information.

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 Relevant Periods was RMB31,965,000, RMB52,231,000, RMB63,853,000 and RMB16,503,000 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020, respectively, details of which are included in note 5 to the History Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	58,256	61,438	78,301	68,556
After one year but within two years	62,894	60,966	70,209	61,334
After two years but within three years	57,409	56,617	55,064	37,496
After three years but within four years	51,100	36,025	22,563	24,499
After four years but within five years	41,315	22,391	16,309	23,133
After five years	69,214	47,849	24,763	10,883
	340,188	285,286	267,209	225,901

16. INTANGIBLE ASSETS

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Software				
At the beginning of the year/period:				
Cost	2,426	3,485	3,944	4,488
Accumulated amortisation	(374)	(931)	(1,618)	(2,522)
Net carrying amount	2,052	2,554	2,326	1,966
Carrying amount at the beginning of the year/period:	2,052	2,554	2,326	1,966
Additions	1,059	459	544	796
Amortisation provided during the year/period *(note 6)*	(557)	(687)	(904)	(339)
Carrying amount at the end of the year/period	2,554	2,326	1,966	2,423
At the end of the year/period:				
Cost	3,485	3,944	4,488	5,284
Accumulated amortisation	(931)	(1,618)	(2,522)	(2,861)
Net carrying amount	2,554	2,326	1,966	2,423

17. INVESTMENTS IN JOINT VENTURES

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	29,733	50,128	94,333	163,203

The Group's receivable and payable balances with joint ventures are disclosed in note 39 to the Historical Financial Information.

(a) Particulars of the Group's joint ventures

Name of companies	Place and date of registration	Nominal value of registered share capital	Effective interests percentage of ownership interest indirectly attributable to the Company	Principal activities
		RMB'000		
蘇州和都置業有限公司 Suzhou Hedu Property Co., Ltd. ("Suzhou Hedu") *(note (1))*	PRC/Mainland China 3 January 2018	50,000	20%	Property development
上海上坤飛榮置業有限公司 Shanghai Sunkwan Feirong Property Co., Ltd. ("Sunkwan Feirong") *(note (2))*	PRC/Mainland China 22 September 2016	8,000	50%	Property development and property leasing
河南宸博置業有限公司 Henan ChenBo Property Co., Ltd. ("Henan Chenbo")	PRC/Mainland China 9 January 2018	20,000	50%	Property development
常熟必信房地產開發有限公司 Changshu Bixin Real Estate Co., Ltd. ("Changshu Bixin") *(note (3))*	PRC/Mainland China 29 August 2017	60,000	33%	Property development
常熟市共築房地產有限公司 Changshu Gongzhu Property Co., Ltd. ("Changshu Gongzhu") *(note (4))*	PRC/Mainland China 7 September 2017	80,000	25%	Property development
杭州弘陽瑞尚房地產開發有限公司 Hangzhou Hongyang Ruishang Real Estate Co., Ltd. ("Hangzhou Hongyang")	PRC/Mainland China 8 March 2019	20,000	50%	Property development
寧波弘陽房地產開發有限公司 Ningo Honyang Real Estate Co., Ltd. ("Ningo Honyang")	PRC/Mainland China 11 March 2019	20,000	50%	Property development
武漢市嘉倫誠泰商貿有限公司 Wuhan Jialunchengtai Trading Co., Ltd. ("Wuhan Jialun") *(note (5))*	PRC/Mainland China 22 November 2004	50,500	70%	Property development
蘇州坤聿置業有限公司 Suzhou Kunyu Property Co., Ltd. ("Suzhou Kunyu") *(note (6))*	PRC/Mainland China 27 November 2019	60,000	70%	Property development
商丘市上嘉置業有限公司 Shangqiu Shangjia Property Co., Ltd. ("Shangqiu Shangjia") *(note (7))*	PRC/Mainland China 15 October 2019	33,330	63%	Property development
商丘市上華置業有限公司 Shangqiu Shanghua Property Co., Ltd. ("Shangqiu Shanghua") *(note (8))*	PRC/Mainland China 19 February 2020	50,000	54%	Property development

Note (1): Suzhou Hedu had five shareholders holding its 20% equity interest. Pursuant to the articles of association of Suzhou Hedu, all shareholders' resolutions of Suzhou Hedu shall be resolved by the five shareholders on an unanimous basis. In light of this requirement, Suzhou Hedu is accounted for as a joint venture of the Group notwithstanding that the Group only held a 20% equity interest during the Relevant Periods.

Note (2): The Group disposed of its 50% equity interest of Sunkwan Feirong to a third party on 31 August 2017 (note 35). After the disposal, The Group held the remaining 50% equity interest of Sunkwan Feirong which changed from a subsidiary to a joint venture of the Group. Pursuant to the articles of association of Sunkwan Feirong, all shareholders' resolutions of Sunkwan Feirong shall be resolved by both shareholders on a unanimous basis.

Note (3): Changshu Bixin had five shareholders holding 33%, 33%, 28.9%, 3.4% and 1.7% equity interests, respectively. Pursuant to the articles of association of Changshu Bixin, all shareholders' resolutions of Changshu Bixin shall be resolved by the five shareholders on an unanimous basis. In light of this requirement, Changshu Bixin is accounted for as a joint venture of the Group notwithstanding that the Group only held a 33% equity interest during the Relevant Periods.

Note (4): Changshu Gongzhu was a joint venture of the Group as all shareholders' resolutions shall be resolved by the shareholders on an unanimous basis. It ceased to be a joint venture on 31 August 2019 when the Group acquired additional 25% equity interest in Changshu Gongzhu which became a subsidiary since then (note 34).

Note (5): Wuhan Jialun had two shareholders holding 70% and 30% equity interests, respectively. Pursuant to the articles of association of Wuhan Jialun, all shareholders' resolutions of Wuhan Jialun shall be resolved by the both shareholders on an unanimous basis. In light of this requirement, Wuhan Jialun is accounted for as a joint venture of the Group notwithstanding that the Group held a 70% equity interest during the Relevant Periods.

Note (6): Suzhou Kunyu had two shareholders holding 70% and 30% equity interests, respectively. Pursuant to the articles of association of Suzhou Kunyu, all shareholders' resolutions of Suzhou Kunyu shall be resolved by the both shareholders on an unanimous basis. In light of this requirement, Suzhou Kunyu is accounted for as a joint venture of the Group notwithstanding that the Group held a 70% equity interest during the Relevant Periods.

Note (7): Shangqiu Shangjia had two shareholders holding 70% and 30% equity interests, respectively. Pursuant to the articles of association of Shangqiu Shangjia, all shareholders' resolutions of Shangqiu Shangjia shall be resolved by the both shareholders on an unanimous basis. In light of this requirement, Shangqiu Shangjia is accounted for as a joint venture of the Group notwithstanding that the Company's subsidiary, in which the Company indirectly held 90% interest, held a 70% equity interest during the Relevant Periods.

Note (8): Shangqiu Shanghua had three shareholders holding 60%, 20% and 20% equity interests, respectively. Pursuant to the articles of association of Shangqiu Shanghua, all shareholders' resolutions of Shangqiu Shanghua shall be resolved by all shareholders on an unanimous basis. In light of this requirement, Shangqiu Shanghua is accounted for as a joint venture of the Group notwithstanding that the Company's subsidiary, in which the Company indirectly held 90% interest, held a 60% equity interest during the Relevant Periods.

(b) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the joint ventures' profits and losses	5,730	(6,206)	15,753	1,577
Share of the joint ventures' total comprehensive income/(loss)	5,730	(6,206)	15,753	1,577
Aggregate carrying amount of the Group's investments in the joint ventures	29,733	50,128	94,333	163,203

The joint ventures have been accounted for using the equity method in this financial information.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2017, 2018 and 2019 and 30 April 2020.

18. INVESTMENTS IN ASSOCIATES

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	12,170	107,004	142,283	254,449

The Group's receivable and payable balances with associates are disclosed in note 39 to the Historical Financial Information.

(a) Particulars of the Group's associates

Name of companies	Place and date of registration	Nominal value of registered share capital	Effective interests percentage of ownership interest indirectly attributable to the Company	Principal activities
		RMB'000		
蘇州高新光耀萬坤置地有限公司 Suzhou GaoXin GuangYao Wankun Property Co., Ltd. ("Suzhou GaoXin GuangYao")	PRC/Mainland China 25 December 2017	400,000	24.5%	Property development
杭州祥璟資產管理有限公司 Hangzhou Xiangjing Asset Management Co., Ltd ("Hangzhou Xiangjing")	PRC/Mainland China 22 June 2017	400,000	35%	Property development and property leasing
慈溪市金桂置業有限公司 Cixi Jingui Property Co., Ltd. ("Cixi Jingui") *(note (1))*	PRC/Mainland China 15 March 2018	50,000	16%	Property development

Name of companies	Place and date of registration	Nominal value of registered share capital	Effective interests percentage of ownership interest indirectly attributable to the Company	Principal activities
		RMB'000		
廣州雲佳房地產開發有限公司 Guangzhou Yunjia Real Estate Development Co., Ltd. ("Guangzhou Yunjia")	PRC/Mainland China 26 December 2016	50,000	24.5%	Property development
杭州水勝鑫房地產開發有限公司 Hangzhou Shuishengxin Real Estate Development Co., Ltd. ("Hangzhou Shuishengxin")	PRC/Mainland China 31 January 2018	10,000	28%	Property development
蘇州坤盛置業有限公司 Suzhou Kunsheng Property Co., Ltd. ("Suzhou Kunsheng") *(note (2))*	PRC/Mainland China 27 January 2018	20,000	49%	Investment holding
佛山海路置業有限公司 Foshan Hailu Property Co., Ltd. ("Foshan Hailu") *(note (3))*	PRC/Mainland China 27 December 2019	10,000	49%	Property development

Note (1): Pursuant to the articles of association of Cixi Jingui, the Group has significant influence by appointing one director in the board. Therefore, Cixi Jingui was accounted for as an associate of the Group during the Relevant Periods.

Note (2): The Group disposed of its 51% equity interest of Suzhou Kunsheng to a third party on 19 November 2019. After the disposal, the other shareholder of this entity has the enough voting power to control and operate this entity. Thus, this entity are accounted for as an associate by the Group with holding 49% in equity interest.

Note (3): Pursuant to the articles of association of Foshan Hailu, the other shareholder of this entity has the enough voting power to control and operate this entity. Thus, this entity is accounted for as an associate by the Group with holding 49% in equity interest.

(b) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the associates' profits and losses	(80)	(3,965)	(8,237)	(2,724)
Share of the associates' total comprehensive loss	(80)	(3,965)	(8,237)	(2,724)
Aggregate carrying amount of the Group's investments in the associates	12,170	107,004	142,283	254,449

The associates have been accounted for using the equity method in this financial information.

The directors of the Company are of the opinion that no provision for impairment was necessary as at 31 December 2017, 2018 and 2019 and 30 April 2020.

19. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of assets	Accrued construction cost	Unrealised revenue in contract liabilities	Accrued LAT	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and 1 January 2017	82,733	47	15,013	51,778	3,092	4,908	157,571
Acquisition of subsidiaries *(note 34)*	2,957	—	—	—	—	—	2,957
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(84,722)	394	(9,598)	134,014	14,668	19,266	74,022
At 31 December 2017 and 1 January 2018	968	441	5,415	185,792	17,760	24,174	234,550
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	11,008	288	72,172	(79,607)	330,746	4,256	338,863
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 *(note 34)*	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
Deferred tax credited/(charged) to profit or loss during the period *(note 10)*	5,900	150	(17,223)	(5,246)	5,620	(193)	(10,992)
At 30 April 2020	13,529	977	52,011	132,431	644,161	28,973	872,082

Deferred tax liabilities

	Fair value adjustments arising from financial assets at FVTPL	Fair value adjustments arising from investment properties	Fair value adjustments arising from business combinations	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and 1 January 2017	—	49,134	—	617	49,751
Acquisition of subsidiaries *(note 34)*	—	—	53,471	—	53,471
Deferred tax charged to profit or loss during the year *(note 10)*	1,042	63,557	—	383	64,982
At 31 December 2017 and 1 January 2018	1,042	112,691	53,471	1,000	168,204
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	639	39,955	(166)	1,480	41,908
At 31 December 2018 and 1 January 2019	1,681	152,646	53,305	2,480	210,112
Acquisition of a subsidiary *(note 34)*	—	—	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
Deferred tax charged/(credited) to profit or loss during the period *(note 10)*	70	3,125	(55)	(444)	2,696
At 30 April 2020	2,222	199,724	53,084	1,604	256,634

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	173,756	493,577	792,648	778,317
Net deferred tax liabilities recognised in the consolidated statements of financial position	(107,410)	(130,276)	(163,512)	(162,869)
	66,346	363,301	629,136	615,448

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 2017, 2018 and 2019 and 30 April 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 RMB12,719,000, RMB26,860,000, RMB48,813,000 and RMB50,911,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020.

Deferred tax assets have not been recognised in respect of the following items:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	194,612	445,580	739,468	822,188
Deductible temporary differences	172,612	309,871	407,315	466,224
	367,224	755,451	1,146,783	1,288,412

Tax losses not recognised expires as follows:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2020	1,620	1,448	1,448	—
2021	61,304	61,304	61,304	61,304
2022	131,688	131,648	108,176	108,176
2023	—	251,180	235,748	235,748
2024	—	—	332,792	332,792
2025	—	—	—	84,168
	194,612	445,580	739,468	822,188

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

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	4,495,325	6,486,066	9,317,739	10,859,280
Additions	2,569,455	7,120,111	5,290,257	820,986
Acquisition of subsidiaries *(note 34)*	—	—	703,215	—
Transferred to completed properties held for sale *(note 21)*	(534,395)	(4,229,917)	(4,515,947)	—
Impairment losses recognised *(note 6)*	(44,319)	(58,521)	(37,912)	(4,652)
Impairment losses transferred to completed properties held for sale *(note 21)*	—	—	101,928	—
At the end of the year/period	6,486,066	9,317,739	10,859,280	11,675,614

The Group's properties under development are situated on leasehold lands in Mainland China.

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB5,250,195,000, RMB6,190,869,000, RMB8,315,922,000 and RMB8,105,077,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020 have been pledged to secure bank and other borrowings granted to the Group (note 30).

The movements in provision for impairment of properties under development are as follows:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	(21,295)	(65,614)	(124,135)	(60,119)
Impairment losses recognised *(note 6)*	(44,319)	(58,521)	(37,912)	(4,652)
Impairment losses transferred to completed properties held for sale *(note 21)*	—	—	101,928	—
At the end of the year/period	(65,614)	(124,135)	(60,119)	(64,771)

The value of properties under development is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its net realisable value which is calculated based on expected/contract selling prices, the costs of completion and the costs of selling properties.

21. COMPLETED PROPERTIES HELD FOR SALE

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	315,995	70,667	1,046,885	1,051,766
Transferred from properties under development *(note 20)*	534,395	4,229,917	4,515,947	—
Transferred to cost of properties sold *(note 6)*	(779,723)	(3,253,699)	(4,409,138)	(544,956)
Impairment losses transferred from properties under development *(note 20)*	—	—	(101,928)	—
At the end of the year/period	70,667	1,046,885	1,051,766	506,810

Certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB58,300,000, RMB966,839,000, RMB923,780,000 and RMB44,668,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively, 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:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	—	—	—	(31,484)
Impairment losses transferred from properties under development *(note 20)*	—	—	(101,928)	—
Impairment losses transferred to cost of properties sold	—	—	70,444	8,238
At the end of the year/period	—	—	(31,484)	(23,246)

The value of completed properties held for sale is assessed at the end of each of the Relevant Periods. 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

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	18,978	29,245	47,462	36,518
Less: Impairment	(141)	(339)	(801)	(1,353)
	18,837	28,906	46,661	35,165

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 reporting period, based on the invoice date, is as follows:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	18,978	29,179	45,183	34,703
Over 1 year	—	66	2,279	1,815
	18,978	29,245	47,462	36,518

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	4	141	339	801
Impairment losses recognised *(note 6)*	137	198	462	552
At the end of the year/period	141	339	801	1,353

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. The expected credit loss rate for the years ended 31 December 2017, 2018 and 2019 remained the same as there were no significant changes in credit risks of customers or forecasts of future economic conditions.

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 2017

		Past due				
	Current	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)	10,340	1,642	5,678	1,318	—	18,978
Expected credit losses (RMB'000)	10	8	57	66	—	141

As at 31 December 2018

		Past due				
	Current	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)	13,656	2,113	9,051	4,359	66	29,245
Expected credit losses (RMB'000)	14	10	90	218	7	339

As at 31 December 2019

		Past due				
	Current	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

As at 30 April 2020

		Past due				
	Current	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)	17,007	2,125	10,343	5,228	1,815	36,518
Expected credit losses (RMB'000)	51	15	310	523	454	1,353

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from non-controlling shareholders of the subsidiaries	1,614,486	2,560,015	2,483,036	2,535,180
Prepaid taxes and other tax recoverables	268,073	377,574	415,283	492,468
Prepayments for construction cost	2,783	5,530	6,940	7,487
Prepayments for acquisition of land use rights	774,210	—	—	—
Deposits related to third parties' land use rights	—	8,019	—	—
Deposits for land auction	10,000	—	—	—
Other deposits	24,659	14,987	133,805	140,781
Others	6,645	14,918	20,196	20,852
	2,700,856	2,981,043	3,059,260	3,196,768
Less: Impairment	(1,621)	(2,575)	(2,503)	(2,556)
	2,699,235	2,978,468	3,056,757	3,194,212

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:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	183	1,621	2,575	2,503
Impairment losses recognised/(reversed) *(note 6)*	1,438	954	(72)	53
At the end of the year/period	1,621	2,575	2,503	2,556

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 categorized in stage 1 and 12-month expected losses 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 Relevant Period as there were no significant changes in historical loss rates or forecast economic conditions in real estate industry.

24. CONTRACT COST ASSETS

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs arising from sale of properties	39,864	24,121	52,438	55,266

Management expected that the contract acquisition costs, which represented primarily sales commission for obtaining property sale 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 2017, 2018 and 2019 and 30 April 2020, the amounts charged to profit or loss were RMB7,377,000, RMB47,762,000, RMB36,650,000 and RMB12,385,000, respectively, and there was no impairment loss.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management product	5,000	—	—	—
Fund investment	50,577	51,027	52,202	52,482
Contingent consideration	24,184	11,921	3,326	—
	79,761	62,948	55,528	52,482

The above wealth management product at 31 December 2017 was issued by a bank in Mainland China. It is classified as financial asset at fair value through profit or loss as its contractual cash flows do not qualify for solely payments of principal and interest.

Certain of the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately RMB5,000,000 as at 31 December 2017, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 30).

The above fund investment at 31 December 2017, 2018 and 2019 and 30 April 2020 was classified as financial asset at fair value through profit or loss as it was held for trading.

On 4 July 2017, the Group acquired 100% equity interest 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

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	828,640	1,544,080	3,484,305	3,433,016
Less: Restricted cash	320,474	1,014,133	2,360,661	1,773,647
Pledged deposits	1,904	75,278	50,145	73,985
Cash and cash equivalents	506,262	454,669	1,073,499	1,585,384

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds 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 2017, 2018 and 2019 and 30 April 2020, such restricted cash of pre-sale proceeds amounted to RMB285,474,000, RMB1,002,589,000, RMB2,320,693,000 and RMB1,459,755,000, respectively and such restricted cash of self-owned capital amounted to RMB10,913,000, RMB7,890,000, nil and nil, respectively.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, the restricted cash also included cash from borrowings that is restricted to use in construction of properties amounting to RMB24,087,000, RMB3,654,000, RMB39,968,000 and RMB311,049,000, respectively. As at 30 April 2020, the restricted cash included amount of RMB2,843,000 which was frozen by the People's court due to lawsuits.

Bank deposits of nil, RMB70,314,000, RMB23,160,000 and RMB22,312,000 were pledged as security for bank and other borrowings as at 31 December 2017, 2018 and 2019 and 30 April 2020 (note 30). Bank deposits of RMB1,904,000, RMB4,964,000, RMB26,985,000 and RMB31,673,000 were pledged as security for purchasers' mortgage loans and construction of projects at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively. Bank deposits of RMB20,000,000 were pledged for bills payable as at 30 April 2020.

Cash and bank balances were denominated in the following currencies:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances				
Denominated in RMB	828,639	1,544,079	3,484,304	3,432,792
Denominated in HK$	—	—	—	223
Denominated in US$	1	1	1	1
	828,640	1,544,080	3,484,305	3,433,016

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 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 each of the Relevant Periods, based on the invoice date, is as follows:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	939,798	1,097,519	1,628,177	1,552,774
Over 1 year	2,495	12,615	24,145	22,876
	942,293	1,110,134	1,652,322	1,575,650

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 each of the Relevant Periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

28. OTHER PAYABLES AND ACCRUALS

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to non-controlling shareholders of subsidiaries	97,340	856,924	534,731	241,982
Retention deposits related to construction	38,557	106,001	71,002	76,118
Payroll and welfare payable	24,003	66,394	67,839	16,595
Other tax and surcharges	17,990	49,524	239,096	97,239
Interest payable	12,544	22,782	24,657	86,748
Deposits related to sales of properties	1,205	19,366	10,986	10,588
Other deposits	—	—	—	100,000
Maintenance fund	815	5,023	15,952	3,926
Advances from third parties related to land use rights	—	—	110,000	452,000
Others	9,633	13,884	34,814	36,539
	202,087	1,139,898	1,109,077	1,121,735

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 each of the Relevant Periods approximated to their corresponding carrying amounts.

29. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	7,752,566	5,021,651	8,329,464	9,179,494

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 2017			31 December 2018			31 December 2019			30 April 2020		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			(%)			(%)			(%)		
Current												
Bank loans — secured	4.35-8.20	2018	1,342,429			—			—			—
Other loans — secured	13.00-14.00	2018	530,000	11.50-15.00	2019	1,916,834	7.80-18.00	2020	799,499	12.5-18.00	2020-2021	699,000
Other loans — unsecured			—	9.50-12.00	2019	97,000			—			—
Current portion of long term bank loans — secured	5.23-6.18	2018	305,000	4.99-8.53	2019	957,000	6.175-8.53	2020	1,871,671	5.88-10.00	2020	113,000
Current portion of long term other loans — secured	5.90-10.00	2018	148,358	5.90	2019	64,000	8.00-15.80	2020	1,572,078	9.00-15.80	2020-2021	1,687,042
			2,325,787			3,034,834			4,243,248			2,499,042
Non-current												
Bank loans — secured	5.23-6.18	2019	2,410,000	5.65-8.53	2020-2033	2,578,713	8.53-10.00	2021-2033	374,000	5.88-8.53	2021-2035	1,114,000
Other loans — secured	5.90-12.00	2019	461,020	8.00-12.00	2020-2021	1,845,366	9.00-16.50	2021-2022	2,149,009	9.00-16.50	2021-2022	1,975,987
			2,871,020			4,424,079			2,523,009			3,089,987
			5,196,807			7,458,913			6,766,257			5,589,029

Bank and other borrowings

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	1,647,429	957,000	1,871,671	113,000
In the second year	2,410,000	2,153,713	260,000	268,000
In the third to fifth years, inclusive	—	360,000	49,000	110,180
Beyond five years	—	65,000	65,000	735,820
	4,057,429	3,535,713	2,245,671	1,227,000
Other borrowings repayable:				
Within one year	678,358	2,077,834	2,371,577	2,386,042
In the second year	64,000	855,218	1,298,179	1,629,842
In the third to fifth years, inclusive	397,020	990,148	850,830	346,145
	1,139,378	3,923,200	4,520,586	4,362,029
	5,196,807	7,458,913	6,766,257	5,589,029

The Group's bank and other borrowings are denominated in RMB.

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 each of the Relevant Periods as follows:

		31 December			30 April
	Notes	2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	*13*	142,582	139,805	137,029	136,103
Investment properties	*14*	2,516,000	2,682,500	2,869,300	1,769,400
Properties under development	*20*	5,250,195	6,190,869	8,315,922	8,105,077
Completed properties held for sale	*21*	58,300	966,839	923,780	44,668
Financial assets at fair value through profit or loss	*25*	5,000	—	—	—
Pledged deposits	*26*	—	70,314	23,160	22,312

Certain of the Group's bank and other borrowings were guaranteed by its related parties (note 39(4)).

Except for the related parties, the following entities also provided guarantees or securities to the Group's bank and other borrowings during the Relevant Periods.

Country Garden Real Estate Development Co., Ltd. ("碧桂園房地產開發有限公司") and Zhongnan Real Estate Co., Ltd. ("中南置地有限公司") have jointly guaranteed certain of the Group's bank and other borrowings up to RMB237,000,000, RMB128,000,000 and RMB58,000,000 as at 31 December 2018 and 2019 and 30 April 2020, respectively.

Sunshine City Group Co., Ltd. ("陽光城集團股份有限公司") and Zhongnan Construction Group Co., Ltd. ("中南建設集團股份有限公司") have jointly guaranteed certain of the Group's bank and other borrowings up to RMB334,719,000, RMB46,619,000 and RMB247,000,000 as at 31 December 2018 and 2019 and 30 April 2020, respectively.

Country Garden Real Estate Group Co., Ltd. ("碧桂園地產集團有限公司"), Poly Development Holding Group Co., Ltd. ("保利發展控股集團股份有限公司") and Jindi (Group) Co., Ltd. ("金地(集團)股份有限公司") have jointly guaranteed certain of the Group's bank and other borrowings up to RMB400,000,000 as at 31 December 2018.

CIFI Group Co., Ltd. ("旭輝集團股份有限公司") and Rongchuang Real Estate Group Co., Ltd. ("融創房地產集團有限公司") have jointly guaranteed certain of the Group's bank and other borrowings up to RMB260,000,000 and RMB260,000,000 as at 31 December 2019 and 30 April 2020, respectively.

Redsun Properties Group Co., Ltd. ("弘陽置地(集團)有限公司"), formerly known as ("南京紅太陽房地產開發有限公司") has guaranteed certain of the Group's bank and other borrowings up to RMB495,000,000 and RMB792,000,000 as at 31 December 2019 and 30 April 2020.

Shanghai Songrui Real Estate Development Limited ("上海松睿房地產開發有限公司") has pledged with 50% equity of Shanghai Xinyao and 50% equity of Shanghai Quankun for certain of the Group's bank and other borrowings up to RMB1,001,800,000, RMB915,000,000 and RMB467,000,000 as at 31 December 2017, 2018 and 2019, respectively.

Ningbo Xingshengbo Investment Management Co, Ltd. ("寧波興勝博投資管理有限公司") and Ningbo Zhongyue Properties Co., Ltd. ("寧波中玥置業有限公司") have jointly pledged with 66% equity of Cixi Xingkun Real Estate Co., Ltd. for certain of the Group's bank and other borrowings up to RMB334,719,000, RMB46,619,000 and RMB247,000,000 as at 31 December 2018 and 2019 and 30 April 2020, respectively.

Changzhou Hongyang Plaza Properties Co., Ltd. ("常州弘陽廣場置業有限公司") has pledged with 40% equity of Changzhou Qiansheng Property Development Co., Ltd. for certain of the Group's bank and other borrowings up to RMB495,000,000 and RMB792,000,000 as at 31 December 2019 and 30 April 2020.

Certain of the Group's other borrowings from independent trust companies, amounted to RMB927,020,000, RMB1,520,660,000, RMB2,176,662,000 and RMB1,654,286,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively, were secured by way of transferring partial interests of the subsidiaries as collateral as set out note 1 to the Historical Financial Information.

31. SHARE CAPITAL

Shares

	31 December 2018	31 December 2019	30 April 2020
	US$	*US$*	*US$*
Authorised:			
20,000,000,000 ordinary shares of US$0.000001 each	20,000	20,000	20,000
	20,000	20,000	20,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 21 August 2018 (date of incorporation)	—	—
Issuance of new shares	2,171,250,000	15
At 31 December 2018 and 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	—	—
At 30 April 2020	1,500,000,000	11

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 has transferred its 1,125,111,352 and 112,501,148 ordinary shares to YongHeng Holdings Limited and Broad Holdings Limited.

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.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020 are presented in the consolidated statements 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 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 were set out below:

31 December 2017

	Percentage of effective equity interest held by non-controlling interests	Profit/(loss) for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*RMB'000*	*RMB'000*
Shanghai Kunhui	50	72,582	142,045
Sheshan Country Club	55	(60,893)	(120,760)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Shanghai Kunhui	Sheshan Country Club
	RMB'000	*RMB'000*
Revenue	852,237	—
Total expenses	(622,216)	(145,636)
Income tax expense	(84,857)	34,921
Profit or loss and total comprehensive income for the year	145,164	(110,715)
Current assets	456,955	11,242,070
Non-current assets	4	1,158,399
Current liabilities	(172,869)	(12,285,541)
Non-current liabilities	—	(334,492)
	284,090	(219,564)
Net cash flows from operating activities	11,451	2,308,627
Net cash flows used in investing activities	—	(18)
Net cash flows used in financing activities	—	(2,411,048)
Net increase/(decrease) in cash and cash equivalents	11,451	(102,439)

31 December 2018

	Percentage of effective equity interest held by non-controlling interests	Profit/(loss) for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*RMB'000*	*RMB'000*
Jinhua Jingkun	49	(3,159)	241,841
Cixi Xingkun	66	(2,599)	261,402
Sheshan Country Club	55	538,694	417,932

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jinhua Jingkun	Cixi Xingkun	Sheshan Country Club
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	—	6,761,983
Total expenses	(8,595)	(5,251)	(3,480,419)
Income tax expense	2,149	1,313	(2,302,121)
Profit or loss and total comprehensive income for the year	(6,446)	(3,938)	979,443
Current assets	809,147	1,013,734	10,157,180
Non-current assets	2,936	1,313	1,517,359
Current liabilities	(318,529)	(618,984)	(10,523,370)
Non-current liabilities	—	—	(391,292)
	493,554	396,063	759,877
Net cash flows (used in)/from operating activities	(520,032)	(721,809)	15,349
Net cash flows used in investing activities	(68)	—	(123)
Net cash flows from financing activities	545,129	761,794	405
Net increase in cash and cash equivalents	25,029	39,985	15,631

31 December 2019

	Percentage of effective equity interest held by non-controlling interests	Profit/(loss) for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*RMB'000*	*RMB'000*
Jinhua Jingkun	49	(6,159)	235,683
Cixi Xingkun	66	(4,621)	256,779
Sheshan Country Club*	50	446,520	813,920

Note:

* 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%. Details of the transaction are disclosed in note 1(10) and note 1(11) to the History Financial Information.

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jinhua Jingkun	Cixi Xingkun	Sheshan Country Club
	RMB'000	*RMB'000*	*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 or 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

30 April 2020

	Percentage of effective equity interest held by non-controlling interests	Profit/(loss) for the year allocated to non-controlling interests	Accumulated balances of non-controlling interests
	%	*RMB'000*	*RMB'000*
Jinhua Jingkun	49	(653)	235,030
Cixi Xingkun	66	(556)	256,223
Sheshan Country Club	50	144,778	958,698

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Jinhua Jingkun	Cixi Xingkun	Sheshan Country Club
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	—	1,094,395
Total expenses	(1,777)	(1,095)	(581,481)
Income tax expense	444	252	(223,359)
Profit or loss and total comprehensive income for the period	(1,333)	(843)	289,555
Current assets	1,660,325	1,198,544	6,839,578
Non-current assets	20,216	8,026	1,741,349
Current liabilities	(1,200,888)	(568,354)	(6,735,867)
Non-current liabilities	—	(250,000)	78,708
	479,653	388,216	1,923,768
Net cash flows (used in)/from operating activities	(13,242)	(106,926)	959,582
Net cash flows from investing activities	14	—	36
Net cash flows from/(used in) financing activities	—	113,357	(1,005,568)
Net (decrease)/increase in cash and cash equivalents	(13,228)	6,431	(45,950)

34. BUSINESS COMBINATIONS

(a) Acquisition of Shanghai Longshu

On 4 July 2017, the Group acquired a 100% equity interest in Shanghai Longshu, an unlisted company with registered capital of RMB30,000,000 from a third party, Guofu Huiying (Tianjin) Investment Management Partnership (Limited Partnership) ("國富匯英(天津)投資管理合夥企業(有限合夥)"). It is mainly engaged in property leasing. The acquisition was part of the Group's strategy to expand its market share of property leasing. The acquisition was satisfied by cash of RMB172,870,000 at the acquisition date.

Since the acquisition, Shanghai Longshu contributed RMB995,000 to the Group's revenue and a net profit of RMB25,451,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB1,201,615,000 and RMB31,289,000, respectively.

(b) Acquisition of Shanghai Longlv

On 4 July 2017, the Group acquired a 100% equity interest in Shanghai Longlv, an unlisted company with registered capital of RMB30,000,000 from Guofu Huiyin (Tianjin) Investment Management Partnership (Limited Partnership). Shanghai Longlv is mainly engaged in property leasing. The acquisition was part of the Group's strategy to expand its market share of property leasing. The acquisition was satisfied by cash of RMB222,870,000 at the acquisition date.

Since the acquisition, Shanghai Longlv contributed RMB8,542,000 to the Group's revenue and a net profit of RMB42,655,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB1,208,762,000 and RMB32,428,000, respectively.

(c) Acquisition of Shanghai Longbi

On 4 July 2017, the Group acquired a 100% equity interest in Shanghai Longbi, an unlisted company with registered capital of RMB30,000,000 from Guofu Huiyin (Tianjin) Investment Management Partnership (Limited Partnership). Shanghai Longbi is mainly engaged in property leasing. The acquisition was part of the Group's strategy to expand its market share of property leasing. The acquisition was satisfied by cash of RMB221,697,000 at the acquisition date.

Since the acquisition, Shanghai Longbi contributed RMB6,489,000 to the Group's revenue and a net profit of RMB40,301,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. Had the combination taken place at 1 January 2017, the revenue and profit of the Group would have been RMB1,204,029,000 and RMB30,908,000, respectively.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired (note 34(a)~(c)) as at the dates of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment *(note 13)*	143,971
Investment properties *(note 14)*	987,587
Deferred tax assets *(note 19)*	2,957
Trade receivables	782
Prepayments, other receivables and other assets	44,527
Tax recoverable	94
Cash and cash equivalents	7,391
Other payables and accruals	(538,735)
Contract liabilities	(4,323)
Deferred tax liabilities *(note 19)*	(53,471)
Total identifiable net assets at fair value	590,780
Contingent consideration recognised in the business combination *(note 25)*	26,657
Satisfied by cash	617,437

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash considerations	(617,437)
Cash and cash equivalents acquired	7,391
Net outflow of cash and cash equivalents included in cash flows from investing activities	(610,046)

(d) Acquisition of Changshu Gongzhu

The Group previously held 25% equity interest in Changshu Gongzhu which was accounted for as a joint venture (note 17). On 31 August 2019, the Group acquired additional 25% equity interest in Changshu Gongzhu, from Suzhou Xinchenfu Business Information Consulting Co., Ltd. ("蘇州鑫宸富商務信息諮詢有限公司"), a consideration of RMB22,670,000. Changshu Gongzhu became from a joint venture to a subsidiary of the Group since then because the Group was granted 51% 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 Changshu Gongzhu *(Note 1 (note a))*. The previously 25% equity interest held was remeasured to fair value and a remeasurement gain of RMB4,891,000 was recognized in profit or loss on the acquisition date (note 5). The acquisition was part of the Group's strategy to expand its market share of property development and operation. The consideration was satisfied by cash of RMB22,670,000 paid on the acquisition date.

Since the acquisition, Changshu Gongzhu contributed a net profit of RMB54,602,000 to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Had the combination taken place at 1 January 2019, the revenue and profit of the Group would have been RMB7,535,159,000 and RMB674,231,000, respectively.

The fair values of the identifiable assets and liabilities of Changshu Gongzhu as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Deferred tax assets *(note 19)*	7,309
Properties under development *(note 20)*	703,215
Prepayments, other receivables and other assets	174,988
Tax recoverable	17,021
Due from related companies	33,800
Restricted cash	88,892
Cash and cash equivalents	13,824
Trade and bills payables	(77,079)
Other payables and accruals	(2,670)
Contract liabilities	(862,099)
Deferred tax liabilities *(note 19)*	(6,521)
Total identifiable net assets at fair value	90,680
Non-controlling interests	(45,340)
Net assets acquired	45,340
Fair value of investments in the joint venture held before business combinations	22,670
Satisfied by cash	22,670

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash considerations	(22,670)
Cash and cash equivalents acquired	13,824
Net inflow of cash and cash equivalents included in cash flows from investing activities	(8,846)

35. DISPOSAL OF SUBSIDIARIES

(a) Shanghai Sunkwan Feirong Property Co., Ltd. ("上海上坤飛榮置業有限公司") ("Sunkwan Feirong")

Pursuant to the share transfer agreement dated 31 August 2017, the Group disposed of its 50% equity interest in Sunkwan Feirong to a third party, Shanghai Kaijunhan Property Co., Ltd. ("上海愷珺瀚置業有限公司") for a consideration of RMB4,000,000 in total. After the disposal, the Group held 50% equity interest of Sunkwan Feirong which was accounted for as a joint venture since then. The consideration was determined by reference to the corresponding value of the equity interest disposed of on the date of disposal.

	RMB'000
Net assets disposed of:	
Due from related companies	7,943
Cash and cash equivalents	64
	8,007
Loss on disposal of Sunkwan Feirong *(note 6)*	(4)
Fair value of investment in the joint venture held after disposal of the subsidiary	4,003
Satisfied by cash	4,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Sunkwan Feirong is as follows:

	RMB'000
Cash consideration	4,000
Cash and cash equivalents disposed of	(64)
Net inflow of cash and cash equivalents in respect of the disposal of Sunkwan Feirong	3,936

(b) Shanghai Sunkwan Investment Management Co., Ltd. ("上海上坤投資管理有限公司") ("Sunkwan Investment")

Pursuant to the share transfer agreement dated 3 October 2018, the Group disposed of its 100% equity interest in Sunkwan Investment to a related company, Sunkwan Enterprise Group Company Limited ("上坤企業集團股份有限公司") for a consideration of RMB1 in total. The consideration was determined by reference to the corresponding value of the equity interest disposed of on the date of disposal.

	RMB'000
Net liabilities disposed of:	
Prepayments, other receivables and other assets	6,571
Cash and cash equivalents	62
Other payables and accruals	(25)
Due to related companies	(9,883)
	(3,275)
Gain on disposal of Sunkwan Investment *(note 6)*	3,275
Satisfied by cash	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Sunkwan Investment is as follows:

	RMB'000
Cash consideration	—
Cash and cash equivalents disposed of	(62)
Net outflow of cash and cash equivalents in respect of the disposal of Sunkwan Investment	(62)

(c) Shanghai Maohuan Construction Material Co., Ltd. ("上海貿幻建築材料銷售有限公司") ("Shanghai Maohuan")

Pursuant to the share transfer agreement dated 29 March 2019, the Group disposed of its 100% equity interest in Shanghai Maohuan to a related company, Sunkwan Enterprise Group Company Limited ("上坤企業集團股份有限公司") for a consideration of RMB1 in total. The consideration was determined by reference to the corresponding value of the equity interest disposed of on the date of disposal.

The carrying values of the assets and liabilities on the date of disposal were nil.

(d) Suzhou Kunsheng Property Co., Ltd. ("蘇州坤盛置業有限公司") ("Suzhou Kunsheng")

Pursuant to the share transfer agreement dated 19 November 2019, the Group disposed of its 51% equity interest in Suzhou Kunsheng to a third party, Beijing Qifeichuangjun Enterprise Co., Ltd. ("北京齊飛創駿企業管理有限公司") for a consideration of nil in total. After the disposal, the other shareholder of this entity has the enough voting power to control and operate this entity. Thus, this entity are accounted for as an associate by the Group with holding 49% in equity interest. The consideration was determined by reference to the paid in capital on the date of disposal.

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	5
Due to related companies	(3)
	2
Loss on disposal of Suzhou Kunsheng *(note 6)*	(1)
Fair value of investment in the associate held after disposal of the subsidiary	1
Satisfied by cash	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Suzhou Kunsheng is as follows:

	RMB'000
Cash consideration	—
Cash and cash equivalents disposed of	(5)
Net outflow of cash and cash equivalents in respect of the disposal of Suzhou Kunsheng	(5)

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB1,078,000, RMB9,403,000, RMB2,458,000 and nil and lease liabilities of RMB1,566,000, RMB9,686,000, RMB2,946,000 and nil for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020, respectively, in respect of lease arrangements for buildings and offices.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Due to related companies	Lease liabilities	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	4,019,800	1,618	19,632	4,041,050
Cash flows from/(used in) financing activities	1,151,478	(357)	72,584	1,223,705
Cash flows from/(used in) non-financing activities	25,529	4,669	(5)	30,193
Accrual of interest	—	—	2,918	2,918
New operating lease	—	—	1,566	1,566
At 31 December 2017	5,196,807	5,930	96,695	5,299,432
Cash flows from financing activities	2,170,401	917,502	2,515	3,090,418
Cash flows from/(used in) non-financing activities	91,705	5,317	(577)	96,445
Accrual of interest	—	—	5,403	5,403
New operating lease	—	—	9,686	9,686
At 31 December 2018	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)
Accrual of interest	—	—	4,704	4,704
New operating lease	—	—	2,946	2,946
At 31 December 2019	6,766,257	631,642	116,664	7,514,563
Cash flows (used in)/from financing activities	(1,158,235)	536,714	(1,836)	(623,357)
Cash flows (used in)/from non-financing activities	(18,993)	5,390	(111)	(13,714)
Accrual of interest	—	—	1,174	1,174
At 30 April 2020	5,589,029	1,173,746	115,891	6,878,666
At 31 December 2018	7,458,913	928,749	113,721	8,501,383
Cash flows used in financing activities (unaudited)	(155,958)	(469,150)	(831)	(625,939)
Cash flows used in non-financing activities (unaudited)	(54,421)	(8,777)	(166)	(63,364)
Accrual of interest (unaudited)	—	—	1,540	1,540
New operating lease (unaudited)	—	—	1,439	1,439
At 30 April 2019 (unaudited)	7,248,534	450,822	115,703	7,815,059

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within operating activities	2,082	7,384	6,109	2,886	852
Within financing activities	68	2,319	4,672	1,376	1,836
	2,150	9,703	10,781	4,262	2,688

37. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the consolidated financial statements were as follows:

		31 December			30 April
	Notes	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	*(1)*	2,606,941	3,611,166	7,570,272	6,567,753
Guarantees given to banks in connection with facilities granted to related companies *(note 39)*	*(2)*	48,000	373,640	1,805,439	2,609,569

(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, 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 dates 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 Relevant Periods 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. The directors of the Company consider that no provision is needed in respect of the guarantees, since the fair value is not significant.

(3) Since May 2020, one subsidiary of the Group, Changshu Gongzhu has received total of 13 lawsuits filed by some of the purchasers (the "Plaintiffs") of Suzhou • Changshu Phoenix Garden, one of the Group's property projects, with the People's Court of Changshu City, Jiangsu province (the "Changshu Court"), alleging their decisions to purchase the property units at Suzhou • Changshu Phoenix Garden were based on misleading sales and marketing materials of Suzhou • Changshu Phoenix Garden, which falsely represented the design of the balcony in the relevant property units (the "Alleged Claims"). The Plaintiffs in the said 13 lawsuits respectively entered into pre-sale contracts with Changshu Gongzhu for the purchase of relevant property units in May 2018 and June 2018, and Changshu Gongzhu had fulfilled its delivery obligation as stipulated in the pre-sale contracts before December 2019. Changshu Gongzhu first received seven cases of litigation petitions in mid May 2020 and the court hearing of which commenced on May 29, 2020. Changshu Gongzhu subsequently received six additional cases of litigation petitions and the court hearing of which commenced on June 5, 2020. The Plaintiffs requested to (i) terminate the relevant pre-sale contracts between the Plaintiffs and Changshu Gongzhu; (ii) refund the purchase price, gas installation fees and/or contributions to maintenance fund; and (iii) indirect losses and litigation costs incurred in the lawsuits.

In the decisions of June 27, 2020 and June 29, 2020, the Changshu Court rejected all of the Plaintiffs' claims in these 13 lawsuits given that there was no ground to support the Plaintiffs' request to terminate the relevant pre-sale contracts between the Plaintiffs and Changshu Gongzhu because (i) the Plaintiffs clearly understood that the balcony would adopt "enclosed design" before the purchase and it was explicitly contemplated in writing in the relevant pre-sale contract that the balcony would adopt "enclosed design"; and (ii) the Plaintiffs failed to provide with evidence to prove that the conditions for termination of the pre-sale contracts under the PRC Contract Law were met, which require, among others, breach by a contracting party that prevents the purpose of the agreement from being achieved. Thus, there was no ground to support the Plaintiffs' claims. As of the date of this prospectus, the Plaintiffs in 12 cases appealed to the Intermediate People's Court of Suzhou (the "Appeal Court") in mid July 2020, on the grounds, among others, that certain elements of the balconies, such as facing direction, floor plan and design conditions, have been arbitrarily altered without the purchasers' prior consent, therefore severely affecting the purchasers' ordinary use of the property units. Changshu Gongzhu had received relevant petitions for appeal from the Plaintiffs on July 24, 2020. As of the date of this prospectus, the date for the hearing of the appeal remained to be determined. These 12 lawsuits pending before the Appeal Court as of the date of this prospectus had an aggregate amount of the claims of approximately RMB55.5 million, which consisted of approximately RMB50.7 million for termination of the relevant pre-sale contracts, which represents the aggregate amount of the sales price of the property units, and approximately RMB4.8 million for damages and other miscellaneous fees and expenses claimed by the Plaintiffs.

The Group is of the view that, based on the advice of the Group's litigation counsel of the 12 lawsuits, the likelihood of the Appeal Court to rule in favor of the Plaintiffs is remote, because (i) there is a lack of factual and legal basis to terminate the relevant pre-sale contracts between the Plaintiffs and Changshu Gongzhu as the Alleged Claims do not constitute valid ground for termination; (ii) the design of the balconies in the Alleged Claims is consistent with the description and layout as set out in the relevant pre-sale contracts, and the purchasers understood and acknowledged the "enclosed design" of the balcony before the purchase; and (iii) the relevant balconies in the Alleged Claims have been constructed fully in line with the standards required by the local government in accordance with the applicable laws and regulations. In addition, the Controlling Shareholders have entered into the Deed of Indemnity, pursuant to which they have agreed to indemnify the Company (for itself and as trustee for its subsidiaries) against losses, liabilities or damages (to the extent that provision, reserve or allowance has not been made for such fines, penalties, claims, costs, expenses or losses in the consolidated financial statements of the Group from time to time) suffered by Changshu Gongzhu in proportion to the effective equity interests the Group have in Changshu Gongzhu after the Listing in respect of and to the extent arising from or relating to the abovementioned sales and marketing dispute of Suzhou • Changshu Phoenix Garden.

In consideration of (i) the fact that the difference in balcony design was reflected in the building model display of Suzhou • Changshu Phoenix Garden and the fact that the balconies of the Plaintiffs' units would adopt "enclosed design" was also stated in the marketing brochure, both of which were made

available to the purchasers before the purchase; (ii) the fact that the balconies of the Plaintiffs' units would adopt "enclosed design" was clearly stated in the relevant pre-sale contracts; (iii) the Group views, based on the advice of the Group's litigation counsel for these lawsuits, that the likelihood of the Appeal Court to rule in favor of the Plaintiffs is remote; and (iv) the Deed of Indemnity from the Controlling Shareholders, the Group believes that these lawsuits would not have a material adverse effect on the Group's business, financial condition or results of operations. Accordingly, the Group has not made any provision for these lawsuits.

Except as disclosed above, during the Relevant Periods and up to the end of the Relevant Periods, neither the Group nor the Company were 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.

38. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Contracted, but not provided for:				
Property development activities	470,515	1,512,516	1,404,207	1,387,386
Acquisition of land use rights	774,210	—	—	—
Capital contribution for investments in joint ventures and associates	174,318	197,381	204,116	70,949
	1,419,043	1,709,897	1,608,323	1,458,335

39. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related parties	**Relationship with the Group**
Ms. Zhu Jing	Controlling Shareholder
Mr. Chen Peng	Spouse of Ms. Zhu Jing
Mr. Lin Jinfeng	Controlling Shareholder
上海上坤實業投資有限公司 ("Shanghai Sunkwan Industrial Investment Co., Ltd.")	Company controlled by the Controlling Shareholder
上海上坤投資管理有限公司 *(note 1)* ("Shanghai Sunkwan Investment Management Co., Ltd.")	Company controlled by the Controlling Shareholder
上海上坤物業管理有限公司 ("Shanghai Sunkwan Property Management Co., Ltd.")	Company controlled by the Controlling Shareholder
浙江坤順投資管理有限公司 ("Zhejiang Kunshun Investment Management Co., Ltd.")	Company controlled by the Controlling Shareholder
上坤企業集團股份有限公司 ("Sunkwan Enterprise Group Company Limited")	Company controlled by the Controlling Shareholder

Name of related parties	Relationship with the Group
上海坤飛企業管理有限公司 ("Shanghai Kunfei Enterprise Management Co., Ltd.")	Company controlled by the Controlling Shareholder
上海貿幻建築材料銷售有限公司 *(note (a))* ("Shanghai Maohuan Construction Material Co., Ltd.")	Company controlled by the Controlling Shareholder
上海玉海園林綠化有限公司 ("Shanghai Yuhai Landscaping Co., Ltd.")	Company controlled by the Controlling Shareholder
上海三有投資合夥企業(有限合夥) ("Shanghai Sanyou Investment Partnership (Limited Partnership)")	Company controlled by the Controlling Shareholder
上海世蕊投資合夥企業(有限合夥) ("Shanghai Shirui Investment Partnership (Limited Partnership)")	Company controlled by the Controlling Shareholder
盈信投資集團股份有限公司 ("Yingxin Investment Group Co., Ltd.")	Company controlled by the Controlling Shareholder
深圳市盈信國富資產管理有限公司 ("Shenzhen Yingxinguofu Asset Management Co., Ltd.")	Company controlled by the Controlling Shareholder
常熟市共築房地產有限公司 *(note (c))* ("Changshu Gongzhu Property Co., Ltd.")	Joint venture
上海上坤飛榮置業有限公司 *(note (b))* ("Shanghai Sunkwan Feirong Property Co., Ltd.")	Joint venture
上海上坤浦益置業有限公司 ("Shanghai Sunkwan Puyi Property Co., Ltd.")	Joint venture
上海心千置業有限公司 ("Shanghai Xinqian Property Co., Ltd.")	Joint venture
河南宸博置業有限公司 ("Henan Chenbo Property Co., Ltd.")	Joint venture
蘇州和都置業有限公司 ("Suzhou Hedu Property Co., Ltd.")	Joint venture
常熟必信房地產開發有限公司 ("Changshu Bixin Real Estate Co., Ltd")	Joint venture
杭州弘陽瑞尚房地產開發有限公司 ("Hangzhou Hongyang Real Estate")	Joint venture
寧波弘陽房地產開發有限公司 ("Ningo Honyang Real Estate Co., Ltd.")	Joint venture
武漢市嘉倫誠泰商貿有限公司 ("Wuhan Jialunchengtai Trading Co., Ltd.")	Joint venture
蘇州坤聿置業有限公司 ("Suzhou Kunyu Property Co., Ltd.")	Joint venture
商丘市上嘉置業有限公司 ("Shangqiu Shangjia Property Co., Ltd.")	Joint venture

Name of related parties	Relationship with the Group
商丘市上華置業有限公司 ("Shangqiu Shanghua Property Co., Ltd.")	Joint venture
慈溪市金桂置業有限公司 ("Cixi Jingui Property Co., Ltd.")	Associate
廣州雲佳房地產開發有限公司 ("Guangzhou Yunjia Real Estate Development Co., Ltd.")	Associate
杭州越榮房地產開發有限公司 ("Hangzhou Yuerong Real Estate Development Co., Ltd.")	Associate
杭州水勝鑫房地產開發有限公司 ("Hangzhou Shuishengxing Real Estate Development Co., Ltd.")	Associate
寧波光凱房地產開發有限公司 ("Ningbo Guangkai Real Estate Development Co., Ltd.")	Associate
蘇州高新光耀萬坤置地有限公司 ("Suzhou Gaoxing Guangyao Wankun Property Co., Ltd.")	Associate
杭州祥璟房地產開發有限公司 ("Hangzhou Xiangjing Real Estate Co., Ltd.")	Associate
蘇州坤盛置業有限公司 ("Suzhou Kunsheng Property Co., Ltd.")	Associate
佛山海路置業有限公司 ("Foshan Hailu Property Co., Ltd.")	Associate
上海跡客資產管理有限公司 ("Shanghai Jike Asset Management Co., Ltd.")	Company controlled by key management personnel
上海摩珥資產管理有限公司 ("Shanghai Moer Asset Management Co., Ltd.")	Company controlled by key management personnel

Notes:

(a). The Group disposed these entities' equity interests to the company controlled by the Controlling Shareholder and lost control over these entities on the disposal date. Refer to note 35(b) and 35(c) for more details.

(b). The Group disposed its 50% equity interest to a third party and held the remaining 50% equity interest in the entity and accounted it for as a joint venture after 31 August 2017. Refer to note 35(a) for more details.

(c). The Group previously held 25% equity interest in Changshu Gongzhu, which was accounted for a joint venture before the Group acquired additional 25% equity interest in Changshu Gongzhu on 31 August 2019. Refer to note 34(d) for more details.

(2) Significant related party transactions

The following transactions were carried out with related parties during the Relevant Periods and the four months ended 30 April 2019:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advances from related companies:					
Joint ventures	—	243,350	38	—	9,007
Associates	—	—	373,150	98,571	40
Companies controlled by the Controlling Shareholder	—	43,874	3,842	1,263	861,310
Companies controlled by key management personnel	53,000	614,768	—	—	—
	53,000	901,992	377,030	99,834	870,357
Repayment of advances from related companies:					
Joint ventures	—	—	16,200	10,671	—
Associates	—	—	4,944	—	—
Companies controlled by the Controlling Shareholder	—	—	—	—	333,643
Companies controlled by key management personnel	53,357	52,040	562,758	558,313	—
	53,357	52,040	583,902	568,984	333,643
Advance to a shareholder	420	79	—	—	—
Repayment of an advance to a shareholder	—	—	8,747	—	—
Advances to related companies:					
Joint ventures	951,050	775,312	1,827,225	279,162	213,937
Associates	151,181	416,875	461,818	11,335	193,340
Companies controlled by the Controlling Shareholder	4,909,970	4,574,641	3,615,958	953,908	53,740
	6,012,201	5,766,828	5,905,001	1,244,405	461,017
Repayment of advances to related companies:					
Joint ventures	274,864	1,026,337	1,265,410	158,340	205,580
Associates	—	152,516	136,094	54,014	151,034
Companies controlled by the Controlling Shareholder	5,208,086	4,930,910	3,802,157	1,266,240	309,994
	5,482,950	6,109,763	5,203,661	1,478,594	666,608

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management services from companies controlled by the Controlling Shareholder *(note)*	4,848	10,816	15,491	2,902	4,411
Finance costs from a company controlled by the Controlling Shareholder *(note)*	—	2,732	2,421	1,160	370
Consulting services to joint ventures and associates *(note)*	—	6,078	22,018	3,889	7,815
Miscellaneous purchases from a company controlled by the Controlling Shareholder *(note)*	—	—	12,045	—	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.

(3) Disposal of subsidiaries

Pursuant to the share transfer agreement dated 3 October 2018, the Group disposed of its 100% equity interest in Sunkwan Investment to a related company, Sunkwan Enterprise Group Company Limited for a consideration of RMB1 in total (note 35).

Pursuant to the share transfer agreement dated 29 March 2019, the Group disposed of its 100% equity interest in Shanghai Maohuan to a related company, Sunkwan Enterprise Group Company Limited for a consideration of RMB1 in total (note 35).

(4) Other transactions with related parties

i. Ms. Zhu Jing has guaranteed certain of the bank and other borrowings up to RMB522,000,000, RMB77,000,000, RMB1,510,727,000 and RMB1,301,285,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

ii. Ms. Zhu Jing and Mr. Chen Peng have jointly guaranteed certain of the bank and other borrowings up to RMB1,234,541,000 and RMB1,265,744,000 as at 31 December 2019 and 30 April 2020, respectively.

iii. Ms. Zhu Jing and Mr. Lin Jinfeng have jointly guaranteed certain of the Group's bank and other borrowings up to RMB276,713,000 and RMB75,671,000 as at 31 December 2018 and 2019, respectively.

iv. Ms. Zhu Jing and Yingxin Investment Group Co., Ltd. have jointly guaranteed certain of the Group's bank and other borrowings up to RMB1,337,529,000 and RMB1,458,765,000 as at 31 December 2017 and 2018, respectively.

v. Ms. Zhu Jing, Mr. Chen Peng and Yingxin Investment Group Co., Ltd. have jointly guaranteed certain of the bank and other borrowings up to RMB82,358,000, RMB438,056,000, RMB180,688,000 and RMB186,367,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

vi. Ms. Zhu Jing and Shanghai Sunkwan Industrial Investment Co., Ltd. have jointly guaranteed certain of the bank and other borrowings up to RMB30,000,000 as at 31 December 2017.

vii. Yingxin Investment Group Co., Ltd. has guaranteed certain of the Group's bank and other borrowings up to RMB130,000,000 and RMB64,000,000 as at 31 December 2017 and 2018, respectively.

viii. Yingxin Investment Group Co., Ltd. and a third party have jointly guaranteed certain of the bank and other borrowings up to RMB1,515,000,000, RMB1,885,000,000 and RMB1,018,000,000 as at 31 December 2017, 2018 and 2019, respectively.

ix. Yingxin Investment Group Co., Ltd. provided loans to the Group for real estate development with terms of one year, and interest rates of 12% per annum, which were guaranteed by Ms. Zhu Jing. As at 31 December 2018 and 2019, the outstanding balances of the aforementioned loans amounted to RMB10,000,000 and RMB10,000,000. These loans were included in "Interest-bearing bank and other borrowings" in the consolidated statement of financial position of the Group. The Group borrowed RMB170,000,000, RMB105,000,000 and nil in year 2018 and 2019 and the four months ended 30 April 2020, respectively, and repaid RMB160,000,000, RMB105,000,000 and RMB10,000,000 in year 2018 and 2019 and the four months ended 30 April 2020, respectively. These loans have been repaid as at 1 April 2020.

x. Shanghai Sanyou Investment Partnership (Limited Partnership), Shanghai Shirui Investment Partnership (Limited Partnership) and Shenzhen Yingxinguofu Asset Management Co., Ltd. have jointly pledged with 100% equity of Sunkwan Properties for certain of the Group's bank and other borrowings up to RMB1,312,000,000 as at 31 December 2017.

xi. The Group has provided guarantees of RMB335,640,000, RMB1,778,939,000 and RMB2,586,569,000 to guarantee certain of the bank and other borrowings made to its joint ventures and associates up to RMB399,000,000, RMB2,283,669,000 and RMB3,531,669,000 as at 31 December 2018 and 2019 and 30 April 2020, respectively.

xii The Group has provided guarantees of RMB48,000,000, RMB38,000,000, RMB26,500,000 and RMB23,000,000 to guarantee certain of the bank and other borrowings made to companies controlled by key management personnel up to RMB48,000,000, RMB38,000,000, RMB26,500,000 and RMB23,000,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

Note: All guarantees provided to and by the Controlling Shareholders will be released prior to the Listing.

(5) Outstanding balances with related parties

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from a shareholder	8,668	8,747	—	—
Due from related companies:				
Trade-related:				
Joint ventures	—	—	30,458	16,939
Companies controlled by the Controlling Shareholder	1,720	—	—	2,328
	1,720	—	30,458	19,267
Due from related companies:				
Non-trade-related:				
Joint ventures	668,243	417,218	969,167	976,592
Associates	151,181	415,540	736,604	778,086
Companies controlled by the Controlling Shareholder	793,479	447,109	260,910	4,656
	1,612,903	1,279,867	1,966,681	1,759,334

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related companies:				
Trade-related:				
Companies controlled by the Controlling Shareholder	5,900	11,217	22,331	27,721
Due to related companies:				
Non-trade-related:				
Joint ventures	—	79,919	29,956	38,963
Associates	—	163,431	531,638	531,678
Companies controlled by the Controlling Shareholder	—	111,424	47,717	575,384
Companies controlled by key management personnel	30	562,758	—	—
	30	917,532	609,311	1,146,025

Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand. The Group expect to settle all the remaining non-trade amounts due from or to companies controlled by the Controlling Shareholders prior to the Listing. These non-trade amounts due from or to joint ventures and associates will be gradually settled alongside with the progress of the development schedule and pre-sale schedule of the relevant property projects and will be fully settled after the completion of the full development cycle of the relevant property projects.

(6) Compensation of key management personnel of the Group

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	4,526	9,007	17,129	5,359	6,314
Pension scheme contributions	426	668	850	229	196
Total compensation paid to key management personnel	4,952	9,675	17,979	5,588	6,510

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2017

Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(note 22)*	18,837	—	18,837
Financial assets included in prepayments, other receivables and other assets	1,621,131	—	1,621,131
Due from related companies *(note 39)*	1,614,623	—	1,614,623
Due from a shareholder *(note 39)*	8,668	—	8,668
Financial assets at fair value through profit or loss *(note 25)*	—	79,761	79,761
Restricted cash *(note 26)*	320,474	—	320,474
Pledged deposits *(note 26)*	1,904	—	1,904
Cash and cash equivalents *(note 26)*	506,262	—	506,262
	4,091,899	79,761	4,171,660

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables *(note 27)*	942,293
Due to related companies *(note 39)*	5,930
Financial liabilities included in other payables and accruals	119,517
Interest-bearing bank and other borrowings *(note 30)*	5,196,807
Lease liabilities	96,695
	6,361,242

31 December 2018

Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(note 22)*	28,906	—	28,906
Financial assets included in prepayments, other receivables and other assets	2,574,933	—	2,574,933
Due from related companies *(note 39)*	1,279,867	—	1,279,867
Due from a shareholder *(note 39)*	8,747	—	8,747
Financial assets at fair value through profit or loss *(note 25)*	—	62,948	62,948
Restricted cash *(note 26)*	1,014,133	—	1,014,133
Pledged deposits *(note 26)*	75,278	—	75,278
Cash and cash equivalents *(note 26)*	454,669	—	454,669
	5,436,533	62,948	5,499,481

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables *(note 27)*	1,110,134
Due to related companies *(note 39)*	928,749
Financial liabilities included in other payables and accruals	893,590
Interest-bearing bank and other borrowings *(note 30)*	7,458,913
Lease liabilities	113,722
	10,505,108

31 December 2019

Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*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 39)*	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

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables *(note 27)*	1,652,322
Due to related companies *(note 39)*	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

30 April 2020

Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(note 22)*	35,165	—	35,165
Financial assets included in prepayments, other receivables and other assets	2,556,032	—	2,556,032
Due from related companies *(note 39)*	1,778,601	—	1,778,601
Financial assets at fair value through profit or loss *(note 25)*	—	52,482	52,482
Restricted cash *(note 26)*	1,773,647	—	1,773,647
Pledged deposits *(note 26)*	73,985	—	73,985
Cash and cash equivalents *(note 26)*	1,585,384	—	1,585,384
	7,802,814	52,482	7,855,296

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables *(note 27)*	1,575,650
Due to related companies *(note 39)*	1,173,746
Financial liabilities included in other payables and accruals	365,269
Interest-bearing bank and other borrowings *(note 30)*	5,589,029
Lease liabilities	115,891
	8,819,585

41. 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 each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	31 December 2017	31 December 2018	31 December 2019	30 April 2020	31 December 2017	31 December 2018	31 December 2019	30 April 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets								
Financial assets at FVTPL *(note 25)*	79,761	62,948	55,528	52,482	79,761	62,948	55,528	52,482
Financial liabilities								
Interest-bearing bank and other borrowings *(note 30)*	5,196,807	7,458,913	6,766,257	5,589,029	5,107,144	7,475,141	6,796,564	5,625,690
Lease liabilities	96,695	113,722	116,664	115,891	96,695	113,722	116,664	115,891

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 2017, 2018 and 2019 and 30 April 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 Relevant Periods and the nine months ended 30 September 2019, 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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2017, 2018 and 2019 and 30 April 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 2017: 1.33-1.51	5% increase/decrease in price to book ratio would result in increase/decrease in fair value by RMB2,529,000/ RMB2,529,000
			31 December 2018: 1.33-1.51	5% increase/decrease in price to book ratio would result in increase/ decrease in fair value by RMB2,530,000/ RMB2,530,000
			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
			30 April 2020: 1.33-1.51	5% increase/decrease in price to book ratio would result in increase/decrease in fair value by RMB2,624,000/ RMB2,624,000
Financial assets at FVTPL — Contingent consideration	Scenario based method	Discount rate	31 December 2017: 15%	5% decrease/increase in discount rate would result in increase/ decrease in fair value by RMB231,000/ RMB231,000
			31 December 2018: 15%	5% decrease/increase in discount rate would result in increase/ decrease in fair value by RMB89,000/ RMB89,000
			31 December 2019: 15%	5% decrease/increase in discount rate would result in increase/ decrease in fair value by RMB21,000/ RMB21,000

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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017	—	—	79,761	79,761
As at 31 December 2018	—	—	62,948	62,948
As at 31 December 2019	—	—	55,528	55,528
As at 30 April 2020	—	—	52,482	52,482

Liabilities for which fair values are disclosed:

Interest-bearing bank and other borrowings

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017	—	5,107,144	—	5,107,144
As at 31 December 2018	—	7,475,141	—	7,475,141
As at 31 December 2019	—	6,796,564	—	6,796,564
As at 30 April 2020	—	5,625,690	—	5,625,690

Lease liabilities

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017	—	96,695	—	96,695
As at 31 December 2018	—	113,722	—	113,722
As at 31 December 2019	—	116,664	—	116,664
As at 30 April 2020	—	115,891	—	115,891

The movements in fair value measurements within Level 3 during the year are as follows:

	Wealth management product	Fund investment	Contingent consideration	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January 2017	270,000	50,000	—	320,000
Acquisition of subsidiaries *(note 34)*	—	—	26,657	26,657
Additions	530,000	—	—	530,000
Disposal/settlement	(795,000)	—	(6,062)	(801,062)
Net gain from a fair value adjustment	—	577	3,589	4,166
Carrying amount at 31 December 2017 and 1 January 2018	5,000	50,577	24,184	79,761
Disposal/settlement	(5,000)	—	(14,370)	(19,370)
Net gain from a fair value adjustment	—	450	2,107	2,557
Carrying amount at 31 December 2018 and 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
Disposal/settlement	—	—	(3,326)	(3,326)
Net gain from a fair value adjustment	—	280	—	280
Carrying amount at 30 April 2020	—	52,482	—	52,482

42. 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, amounts due from related companies and an amount due from a shareholder. 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, 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 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 rate borrowings, would have decreased/increased by approximately RMB10,402,000, RMB11,396,000, RMB8,777,000, RMB8,578,000 and RMB4,709,000 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, respectively.

(b) Credit risk

The Group divides financial instruments on the basis of shared credit risk characteristics, such as 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.

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.

31 December 2017

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	18,837	18,837
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,621,131	—	—	—	1,621,131
Due from related companies	1,614,623	—	—	—	1,614,623
Due from a shareholder	8,668	—	—	—	8,668
Restricted cash	320,474	—	—	—	320,474
Pledged deposits	1,904	—	—	—	1,904
Cash and cash equivalents	506,262	—	—	—	506,262
	4,073,062	—	—	18,837	4,091,899

31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	28,906	28,906
Financial assets included in prepayments, other receivables and other assets					
— Normal**	2,574,933	—	—	—	2,574,933
Due from related companies	1,279,867	—	—	—	1,279,867
Due from a shareholder	8,747	—	—	—	8,747
Restricted cash	1,014,133	—	—	—	1,014,133
Pledged deposits	75,278	—	—	—	75,278
Cash and cash equivalents	454,669	—	—	—	454,669
	5,407,627	—	—	28,906	5,436,533

31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	35,165	35,165
Financial assets included in prepayments, other receivables and other assets					
— Normal**	2,556,032	—	—	—	2,556,032
Due from related companies	1,778,601	—	—	—	1,778,601
Restricted cash	1,773,647	—	—	—	1,773,647
Pledged deposits	73,985	—	—	—	73,985
Cash and cash equivalents	1,585,384	—	—	—	1,585,384
	7,767,649	—	—	35,165	7,802,814

* 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 Historical Financial Information. 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.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities, 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 each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017					
Trade and bills payables	942,293	—	—	—	942,293
Other payables and accruals	119,517	—	—	—	119,517
Due to related companies	5,930	—	—	—	5,930
Lease liabilities	—	104	313	115,705	116,122
Interest-bearing bank and other borrowings	—	1,441,220	1,181,623	3,102,281	5,725,124
	1,067,740	1,441,324	1,181,936	3,217,986	6,908,986

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018					
Trade and bills payables	1,110,134	—	—	—	1,110,134
Other payables and accruals	893,590	—	—	—	893,590
Due to related companies	928,749	—	—	—	928,749
Lease liabilities	—	1,017	3,296	125,301	129,614
Interest-bearing bank and other borrowings	—	1,704,446	1,806,820	4,925,111	8,436,377
	2,932,473	1,705,463	1,810,116	5,050,412	11,498,464
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
30 April 2020					
Trade and bills payables	1,575,650	—	—	—	1,575,650
Other payables and accruals	365,269	—	—	—	365,269
Due to related companies	1,173,746	—	—	—	1,173,746
Lease liabilities	—	1,354	32,806	85,107	119,267
Interest-bearing bank and other borrowings	—	1,064,850	1,996,431	3,967,002	7,028,283
	3,114,665	1,066,204	2,029,237	4,052,109	10,262,215

(d) 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, interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratio as at the end of each of the Relevant Periods was as follows:

	31 December			30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	942,293	1,110,134	1,652,322	1,575,650
Other payables and accruals *(note 28)*	202,087	1,139,898	1,109,077	1,121,735
Due to related companies *(note 39)*	5,930	928,749	631,642	1,173,746
Lease liabilities *(note 15(b))*	96,695	113,722	116,664	115,891
Interest-bearing bank and other borrowings *(note 30)*	5,196,807	7,458,913	6,766,257	5,589,029
Less: Cash and cash equivalents	(506,262)	(454,669)	(1,073,499)	(1,585,384)
Net debt	5,937,550	10,296,747	9,202,463	7,990,667
Equity attributable to owners of the parent	627,694	614,091	860,030	881,004
Capital and net debt	6,565,244	10,910,838	10,062,493	8,871,671
Gearing ratio	90%	94%	91%	90%

43. EVENT AFTER THE RELEVANT PERIODS

There has been an outbreak of COVID-19 around the world.

The management of the Company believe that, based on the information available as of the date of the Historical Financial Information, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or material impact on the financial position or financial performance of the Group.

It is uncertain when and whether COVID-19 could be contained globally. The above analysis is made by the management of the Company based on the currently available information concerning COVID-19. The management of the Company cannot assure that the outbreak of COVID-19 will not further escalate or have a material adverse effect on the Group's results of operations.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2020.

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