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Application Proof

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

(Incorporated in the Cayman Islands with limited liability)

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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)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] Shares (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to
reallocation)
Number of [REDACTED] : [REDACTED] Shares (subject to
reallocation and the [REDACTED])
[REDACTED] : Not more than [REDACTED] per
[REDACTED], plus brokerage of
1.0%, SFC transaction levy of
0.0027% and Stock Exchange trading
fee of 0.005% (payable in full on
application in Hong Kong dollars and
subject to refund)
Nominal value : US\$[0.000001] per Share
[REDACTED] : [REDACTED]

Sole Sponsor



農銀國際
ABC INTERNATIONAL

[REDACTED]

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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (on behalf of the [REDACTED]) and our Company on or about [REDACTED] and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. Investors applying for the [REDACTED] must pay, on application, the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED], together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] is less than HK\$[REDACTED] per [REDACTED].

The [REDACTED] (on behalf of the [REDACTED]), with the consent of our Company, may reduce the [REDACTED] stated in this document and/or reduce the number of [REDACTED] being offered pursuant to the [REDACTED] at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction of the [REDACTED] and/or the number of [REDACTED] will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the [REDACTED]. Further details are set out in the section headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this document. If, for any reason, the [REDACTED] is not agreed between our Company and the Sole [REDACTED] (on behalf of the [REDACTED]) on or before [REDACTED] (Hong Kong time), the [REDACTED] (including the [REDACTED]) will not proceed and will lapse. Please also see the section headed “Underwriting — [REDACTED] Arrangements and Expenses — [REDACTED] — Grounds for Termination” in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The [REDACTED] are being offered or sold only outside the United States in offshore transactions in accordance with Regulation S.

Share certificates issued in respect of the [REDACTED] will only become valid at 8:00 a.m. on [REDACTED], provided that the [REDACTED] has become unconditional in all respects (including the [REDACTED] not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on [REDACTED].

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full document. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to invest in the [REDACTED].

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 residential 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 vision 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 “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. 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.

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 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 commercial property projects under development or held for future development.

SUMMARY

Our Business Model

During the Track Record Period, our business operations consist of three business lines: (i) sales of properties; (ii) property lease; and (iii) consulting services. Substantially all of our revenue recognized in the Track Record Period was derived from sales of properties.

With respect to property development and sales, we intend to have a diverse property portfolio with a focus on quality residential properties. We have developed four standardized and distinct product series, targeting customers ranging from first-time home buyers to ultra-luxury home buyers. In addition, during the Track Record Period, we held a minority interest in some of the project companies. 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. See “Our History, Reorganization and Corporate Structure — Our Corporate Developments” and “Business — Our Property Projects — Voting Right Arrangements” for details.

Our established real estate development processes cover the entire value chain of property development from land acquisition, project design and development to sales and marketing. We outsource all of the construction work of our property development projects to qualified general contractors. Several of the general contractors we have worked with hold the Premium Grade Constructor Qualification in China. Due to the highly competitive and evolving nature of the real estate industry in China, we are required to constantly monitor the changing market condition and adjust the sales prices of our projects. See “Business — Our Project Operation and Management — Sales and Marketing — Pricing.”

During the Track Record Period, 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. Additionally, since 2018, we started to generate revenue from consulting services, which include the provision of support services in connection with the development of property projects operated by our joint ventures and associates, such as project development, design, cost control and delivery.

Our Land Bank

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

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.)	

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%

SUMMARY

		Completed		Under Development		Future Development	Total Land Bank Attributable to Us ⁽²⁾⁽³⁾	% of Total Land Bank Attributable to Us
	Number of Projects	GFA Available for Sale ⁽¹⁾ (in sq.m.)	Leasable GFA (in sq.m.)	Pre-sold GFA (in sq.m.)	GFA Under Development (in sq.m.)	Estimated GFA for Future Development (in sq.m.)		
<i>Pearl River Delta Economic Zone</i>								
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%
<i>Property Projects Developed by Our Joint Ventures and Associates</i>								
<i>Yangtze River Delta Economic Region</i>								
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%
<i>Mid-China Core Economic Region</i>								
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%
<i>Pearl River Delta Economic Zone</i>								
Foshan	1	—	—	—	39,365	—	39,365	1.3%
Sub-total . . .	1	—	—	—	39,365	—	39,365	1.3%
Attributable Total	16	16,591	—	130,172	667,038	62,457	746,086	24.7%
Land Bank Attributable to Us . . .	49	224,771	68,900	886,368	2,294,564	431,794	3,020,029	100.0%
Total Land Bank	49	287,889	68,900	1,290,101	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.

SUMMARY

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

	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.)	
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 ..	24,771	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.

During the Track Record Period, 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 and 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 and RMB1,408.2 million, and generated revenue from sales of properties of RMB1,169.1 million, RMB6,789.1 million, RMB7,449.2 million and RMB1,124.2 million in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. See “Business — Our Property Projects — Property Projects Developed by Our Subsidiaries,” “Business — Our Property Projects — Property Projects Developed by Joint Ventures and Associates” and “Financial Information — Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Sales of Properties” for more details.

According to the property valuation report set out in Appendix III, our properties are classified into six groups according to the purposes for which they are held: Group I represents properties held for sale by the Group in the PRC; Group II represents properties held under development by the Group in the PRC; Group III represents properties held for future development by the Group in the PRC; Group IV represents properties contracted to be acquired by the Group in the PRC; Group V represents properties held for investment by the Group in the PRC; and Group VI represents properties held and occupied by the Group in the PRC. As of July 31, 2020, the market value of our properties under Group I through Group VI amounted to RMB3,354.2 million, RMB26,461.8 million, RMB511.2 million, nil, RMB4,886.2 million and RMB182.9 million, respectively. Please refer to the property valuation report in Appendix III for more details.

SUMMARY

Our Suppliers and Customers

Our major suppliers are construction material suppliers and construction contractors. During the Track Record Period, we depended on a limited number of 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 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 the Latest Practicable Date, our business relationships with these major suppliers had generally been over two years.

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, during the Track Record Period, 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, and no single largest customer contributed for over 2.0% of our total revenue in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively.

Ms. Zhu, our executive Director, president and chairman of our Board, and Mr. Lin, our non-executive director and one of our Controlling Shareholders, are controlling shareholders of Shanghai Maohuan Construction Material Co., Ltd. (上海貿幻建築材料銷售有限公司), one of our five largest suppliers during the Track Record Period. Except for Ms. Zhu and Mr. Lin, none of our Directors, their associates or any Shareholders that, to the knowledge of our Directors, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers or five largest customers during the Track Record Period.

STRENGTHS AND STRATEGIES

We believe the following rising strengths contribute to our growth during the Track Record Period and distinguish us from our competitors: (i) a growing property developer originated in Shanghai with a focus in the Yangtze River Delta Economic Region, (ii) quality land bank acquired through diversified channels in regions with growth potential to fuel our future development, (iii) well-rounded development and operational capabilities with standardized property development procedures to facilitate efficient operation, (iv) an established track record and reputation in developing customer-oriented high quality residential properties, (v) development of commercial properties generating long-cycle probability and sustainable growth, and (vi) visionary, professional, experienced management team and highly motivated employees.

Adhering to our vision 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: (i) continue to further penetrate existing markets and expand into new regions by proactively executing our regional development strategy; (ii) continue to enhance competitiveness of our customer-oriented product offerings with high quality; (iii) continue to increase operational efficiency and optimize cost structure; and (iv) continue to attract, retain and motivate skilled and talented employees.

CONNECTED TRANSACTIONS

We have entered into certain agreements with associates of Ms. Zhu and Mr. Lin, being Sunkwan Property Management (for itself and on behalf of its subsidiaries). The agreements include (i) a property management services framework agreement and (ii) a sales management services framework agreement. The transactions contemplated under these agreements will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock exchange for[, and the Stock Exchange has granted to us,] waivers under Rule 14A.35 of the Listing Rules from strict compliance with the announcement requirements. Please see the section headed “Connected Transactions” for further details.

RISK FACTORS

There are certain risks involved in our business operation and in connection with the [REDACTED], many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to doing business in China and (iii) risks relating to the [REDACTED]. For example, our business and prospects are heavily dependent on and may be adversely affected by the state of the real estate market in China,

SUMMARY

particularly in the Yangtze River Delta Economic Region. In addition, 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.

A detailed discussion of all the risks factors involved are set forth in “Risk Factors” and you should read the whole section carefully before you decide to invest in the [REDACTED].

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The below summary consolidated financial information should be read together with the consolidated financial information in Appendix I to this document, including the accompanying notes and the information set forth in “Financial Information” in this document. Our consolidated information was prepared in accordance with IFRS.

Summary Consolidated Statements of Profit or Loss

	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(In thousands, except for percentages)									
	(Unaudited)									
Revenue	1,201,102	100.0	6,847,436	100.0	7,535,159	100.0	1,151,843	100.0	1,148,500	100.0
Cost of sales	(829,815)	(69.1)	(3,321,645)	(48.5)	(4,464,234)	(59.2)	(578,609)	(50.2)	(555,809)	(48.4)
Gross profit	371,287	30.9	3,525,791	51.5	3,070,925	40.8	573,234	49.8	592,691	51.6
Fair value gains on investment properties ...	254,227	21.2	159,818	2.3	175,812	2.3	53,012	4.6	12,500	1.1
Finance costs	(220,063)	(18.3)	(281,311)	(4.1)	(261,734)	(3.5)	(70,549)	(6.1)	(75,454)	(6.6)
Share of profits and losses of:										
Joint ventures	5,730	0.5	(6,206)	(0.1)	15,753	0.2	6,789	0.6	1,577	0.1
Associates	(80)	(0.0)	(3,965)	(0.1)	(8,237)	(0.1)	(2,809)	(0.2)	(2,724)	(0.2)
Profit before tax	217,782	18.1	3,013,142	44.0	2,553,505	33.9	433,488	37.6	389,518	33.9
Income tax expense	(183,204)	(15.3)	(2,340,234)	(34.2)	(1,876,616)	(24.9)	(363,405)	(31.5)	(231,103)	(20.1)
Profit for the year/period	<u>34,578</u>	<u>2.9</u>	<u>672,908</u>	<u>9.8</u>	<u>676,889</u>	<u>9.0</u>	<u>70,083</u>	<u>6.1</u>	<u>158,415</u>	<u>13.8</u>
Attributable to ⁽¹⁾ :										
Owners of the parent	49,971	4.2	154,553	2.3	219,532	2.9	(17,608)	(1.5)	20,974	1.8
Non-controlling interests	(15,393)	(1.3)	518,355	7.6	457,357	6.1	87,691	7.6	137,441	12.0
	<u>34,578</u>	<u>2.9</u>	<u>672,908</u>	<u>9.8</u>	<u>676,889</u>	<u>9.0</u>	<u>70,083</u>	<u>6.1</u>	<u>158,415</u>	<u>13.8</u>

Note:

- (1) Profit attributable to owners of the parent represents the net profit of our Group attributable to the shareholders of our Company, as the owners of the parent company of our subsidiaries. Profit attributable to non-controlling interests represents the net profit of our Group attributable to our business partners, as the non-controlling shareholders of our non-wholly-owned subsidiaries. Our profit attributable to owners of the parent and profit attributable to non-controlling interest generally increased during the Track Record Period, primarily due to the increase in our net profit as a result of our continuous business expansion. In addition, as we held different percentage of equity interests in different non-wholly-owned subsidiaries, the changes in our profit attributable to owners of the parent and profit attributable to non-controlling interest during the Track Record Period were also in line with the changes in non-wholly-owned subsidiaries which contributed net profit in the relevant periods.

Revenue

In 2017, 2018 and 2019, our revenue was RMB1,201.1 million, RMB6,847.4 million and RMB7,535.2 million, respectively. In the four months ended April 30, 2019 and 2020, our revenue remained relatively stable at RMB1,151.8 million and RMB1,148.5 million, respectively.

The increase from 2017 to 2019 was primarily due to the increase in the total recognized GFA and the fluctuations in recognized ASP caused by changes in types of and location of property projects we delivered during the periods. The significant increase in our revenue for 2018 was primarily due to an increase in both total recognized GFA and recognized ASP resulting from the delivery of our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects, which were mainly houses and townhouses, and thus, had higher recognized ASP than that of our other types of property projects such as low-rise apartment buildings.

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The increase in our revenue for 2019 was primarily due to an increase in total recognized GFA resulting from the delivery of our Shanghai • Sunkwan Flourish Peninsula and Shanghai • Future Land Flourish Moon projects and projects located in Suzhou, namely Suzhou • Sunkwan Riverside Seasons and Suzhou • Changshu Phoenix Garden, partially offset by a decrease in recognized ASP as the projects delivered were mainly comprised of low-rise apartment buildings and located in Suzhou with relatively lower recognized ASP than Shanghai.

Cost of Sales

In 2017, 2018 and 2019, our cost of sale amounted to RMB829.8 million, RMB3,321.6 million and RMB4,464.2 million, respectively. Such increase was primarily due to the increase in the number and GFA of property projects completed and delivered during the periods. In the four months ended April 30, 2019 and 2020, our cost of sale decreased by 3.9% from RMB578.6 million to RMB555.8, 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. Such lower development costs were primarily because we recognized relatively lower construction costs from the abovementioned project in the four months ended April 30, 2020 than the same period in 2019. The construction costs of our property projects are recognized based on their delivered GFA during the period and their construction costs per sq.m. In particular, construction costs per sq.m. are calculated as total construction costs of the property project divided by its total saleable GFA upon completion. In the four months ended April 30, 2020, the GFA delivered by our Shanghai • Sunkwan Flourish Peninsula project was approximately the same with GFA delivered by our Shanghai • Future Land Flourish Moon project in the same period in 2019. However, benefiting from its substantial larger total saleable GFA upon completion as compared to our Shanghai • Future Land Flourish Moon project, our Shanghai • Sunkwan Flourish Peninsula project entailed a relatively lower construction costs per sq.m. due to the effect of economies of scale. As a result, we recorded a decrease in construction costs during the four months ended April 30, 2020 as compared to the same period in 2019.

The following table sets out the GFA delivered, ASP and average costs of properties sold during the Track Record Period:

	Year Ended December 31,			Four Months Ended April 30,	
	2017	2018	2019	2019	2020
Total recognized GFA (sq.m.)	42,913	143,866	196,355	22,623	23,947
Recognized ASP (RMB/sq.m.)	27,244	47,191	37,937	49,930	46,945
Average cost per sq.m. recognized (RMB) ⁽¹⁾	19,203	23,023	22,648	25,418	22,951
Average cost per sq.m. as % of recognized ASP	70.5%	48.8%	59.7%	50.9%	48.9%
Average land use right cost per sq.m. recognized (RMB) ⁽²⁾	9,954	7,525	9,777	7,508	7,891
Average land use right cost per sq.m. as % of recognized ASP	36.5%	15.9%	25.8%	15.0%	16.8%

Notes:

- (1) Refers to the average cost of our property sales (excluding the costs associated with property lease and consulting services) and is derived by dividing the sum of land use right costs, construction costs, capitalized interest and impairment for a period by the total recognized GFA in that period.
- (2) Refers to the average land use right cost of our property sales (excluding the costs associated with property lease and consulting services) and is derived by dividing the land use right costs for a period by the total recognized GFA in that period.

In addition, the total of our estimated future development cost after adjustment of our equity interest in the respective project as of April 30, 2020 amounted to RMB9,602.7 million. As of April 30, 2020, our estimated land acquisition costs for the period subsequent to the Track Record Period and up to the end of 2020 amounted to approximately RMB4,438.5 million.

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Gross Profit and Gross Profit Margin

During the Track Record Period, our gross profit and gross profit margin fluctuated due to the changes of the types and location of property projects we delivered. In 2017, 2018 and 2019, our gross profit was RMB371.3 million, RMB3,525.8 million and RMB3,070.9 million, respectively, and our gross profit margin was 30.9%, 51.5% and 40.8% in the same periods, respectively. We recorded a relatively higher gross profit and gross profit margin in 2018 as compared to 2017 and 2019, primarily due to the relatively higher ASP and lower average land use right cost per sq.m. mainly resulted from the delivery of our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects. Such projects were mainly townhouses and houses and thus had a relatively higher ASP than our low-rise apartment buildings and commercial properties delivered in 2017 and 2019. Furthermore, these projects were located in Shanghai, where properties generally have a higher ASP than that of other cities, such as Suzhou. In addition, we acquired the land use rights of such projects through our acquisition of Sheshan Country Club, which entailed relatively lower acquisition costs.

In the four months ended April 30, 2019 and 2020, our gross profit was RMB573.2 million and RMB592.7 million, respectively, and our gross profit margin was 49.8% and 51.6% in the same periods, respectively. We recorded a relatively higher gross profit and gross profit margin in the four months ended April 30, 2020 as compared to the same period in 2019, primarily due to the decrease in average cost per sq.m. outpaced the decrease in ASP. It was mainly attributed to the delivery of our Shanghai • Sunkwan Flourish Peninsula project, which contributed approximately 95.0% of our revenue in the four months ended April 30, 2020 and entailed a relatively lower construction and installation costs as compared to our Shanghai • Future Land Flourish Moon project, which contributed approximately 95.1% of our revenue in the same period in 2019.

The table below sets forth the information relating to the gross profit and gross profit margin of each of our business lines and by types of property for the periods indicated during the Track Record Period:

	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(In RMB thousands)	%	(In RMB thousands)	%	(In RMB thousands)	%	(In RMB thousands)	%	(In RMB thousands)	%
	(Unaudited)									
Sales of properties	345,095	29.5	3,476,907	51.2	3,002,148	40.3	554,538	49.1	574,574	51.1
Residential properties	155,567	20.9	3,457,455	51.3	2,989,730	40.5	552,262	49.6	574,295	51.3
Commercial properties	167,676	47.3	6,960	38.9	2,914	38.5	1,831	43.9	—	—
Car parks	21,852	30.7	12,492	39.6	9,504	14.5	445	3.8	279	4.9
Property lease income	26,192	81.9	45,450	87.0	57,016	89.3	16,602	90.3	13,838	83.9
Consulting services	—	—	3,434	56.5	11,761	53.2	2,094	53.8	4,279	54.8
Total	371,287	30.9	3,525,791	51.5	3,070,925	40.8	573,234	49.8	592,691	51.6

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. For details, please refer to “Financial Information — Critical Accounting Policies and Estimates — Investments in Associates and Joint Ventures” and Note 2.4 and Note 3 of the Accountants’ Report in Appendix I.

During the Track Record Period, 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 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 in

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2017, 2018 and 2019, respectively. We recorded share of profits of joint ventures of RMB6.8 million and RMB1.6 million in the four months ended April 30, 2019 and 2020, respectively. Our share of losses of associates amounted to RMB2.8 million and RMB2.7 million in the four months ended April 30, 2019 and 2020, respectively. See “Financial Information — Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Share of Profits and Losses of Joint Ventures and Associates,” “Financial Information — Period to Period Comparison of Results of Operations — Four Months Ended April 30, 2020 Compared to Four Months ended April 30, 2019 — Share of Profits and Losses of Joint Ventures,” “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2019 Compared to Year Ended December 31, 2018 — Share of Profits and Losses of Joint Ventures” and “Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 — Share of Profits and Losses of Joint Ventures.”

Profit Attributable to Owners of the Parent and Profit Attributable to Non-controlling Interests

In 2017, 2018 and 2019 and the four months ended April 30, 2020, we recorded net profit for the period of RMB34.6 million, RMB672.9 million, RMB676.9 million and RMB158.4 million, respectively, of which we recorded net profit attributable to owners of the parent of RMB50.0 million, RMB154.6 million, RMB219.5 million and RMB21.0 million, respectively. The differences between our total net profit and the net profit attributable to owners of the parent were because we recorded net loss attributable to non-controlling interests of RMB15.4 million in 2017 and net profit attributable to non-controlling interests of RMB518.4 million, RMB457.4 million and RMB137.4 million in 2018 and 2019 and the four months ended April 30, 2020, respectively.

The net loss/profit attributable to our non-controlling interests recorded during the Track Record Period was primarily due to the net profit we recognized from Sheshan Country Club. Since we only held a 45%, 45%, 50% and 50%, respectively, effective equity interest as of December 31, 2017, 2018 and 2019 and April 30, 2020 in Sheshan Country Club, not all of the net profit from it can be attributed to owners of the parent and it contributed to a significant amount of our net profit during the Track Record Period. See “Business — Our Property Projects — Voting Right arrangements” and “Financial Information — Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Profit Attributable to Non-controlling Interests” for details.

Summary Consolidated Statements of Financial Position

	As of December 31,			As of
	2017	2018	2019	April 30,
				2020
	(In RMB thousands)			
Total non-current assets	2,973,031	3,571,218	4,104,257	4,279,605
Total current assets	12,137,591	16,316,794	20,776,740	20,915,944
Total current liabilities	11,397,996	13,408,873	19,349,447	18,939,210
Net current assets	739,595	2,907,921	1,427,293	1,976,734
Total non-current liabilities . .	3,074,823	4,664,361	2,768,878	3,335,252
Equity attributable to owners of the parent	627,694	614,091	860,030	881,004
Equity attributable to 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

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 and RMB5,589.0 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, 2019 and the four months ended April 30, 2020, our finance costs were RMB220.1 million, RMB281.3 million, RMB261.7 million and RMB75.5 million, respectively. See “Financial Information — Indebtedness — Interest-bearing Bank and Other Borrowings” and “Financial Information — Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Finance Costs.”

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Summary Consolidated Statements of Cash Flows

	Year Ended December 31,			Four Months Ended April 30,	
	2017	2018	2019	2019	2020
	(In RMB thousands)				
	(Unaudited)				
Profit before tax	217,782	3,013,142	2,553,505	433,488	389,518
Operating cash flow before movements in working capital . . .	212,378	3,194,975	2,663,413	459,815	457,998
Selected movements in working capital:					
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 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/(decrease) in contract liabilities	4,707,142	(2,730,915)	2,445,714	1,318,301	850,030
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 ⁽¹⁾	(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
Net cash flows (used in)/from investing activities	(912,891)	230,918	(758,862)	238,230	27,661
Net cash flows from/(used in) financing activities	1,213,705	3,524,156	(630,295)	(650,400)	(622,509)
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

Note:

- (1) Tax paid consists of tax paid for corporate income tax and LAT. In 2017, our tax paid amounted to RMB399.0 million, which consisted of corporate income tax paid of RMB126.7 million and LAT paid of RMB272.3 million. In 2018, our tax paid amounted to RMB370.1 million, which consisted of corporate income tax paid of RMB269.6 million and LAT paid of RMB100.5 million. In 2019, our tax paid amounted to RMB1,093.0 million, which consisted of corporate income tax paid of RMB846.7 million and LAT paid of RMB246.3 million. In the four months ended April 30, 2020, our tax paid amounted to RMB222.7 million, which consisted of corporate income tax paid of RMB152.0 million and LAT paid of RMB70.7 million.

Our cash flows and results of operations were subject to timing of property development, selling prices and the GFA pre-sold and sold during the relevant periods. The net cash used in operating activities in 2017 and 2018 was primarily due to significant cash used in the operations resulting from continued increase in property development activities and land acquisition efforts, with the reasons illustrated in details as follows. In 2019, we recorded net cash from operating activities primarily due to an increase in contract liabilities resulting from our increased sales of properties after the launch of the pre-sale of our new projects during the period. In the four months ended April 30, 2020, we recorded net cash from operating activities primarily due to an increase in contract liabilities and a decrease in restricted cash. Following the continuous expansion of property portfolio, we expect the saleable GFA will continue to increase and believe that we will accumulate more experience in controlling and managing our costs and expenses. The increased saleable GFA will facilitate our sale and pre-sale activities, which will improve our cash inflow from operating activities. In addition, given the fact that a substantial amount of our cash used in operating activities is for property development activities, the enhanced cost control and management ability will enable us to avoid unnecessary cash outflow and thus optimize our overall operating cash flow.

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Our net cash used in operating activities amounted to RMB38.5 million in 2017, primarily due to (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 in connection with our Hangzhou • Sunkwan Majestic Seasons project; (ii) an increase in properties under development and completed properties held for sale of RMB1,644.0 million as we increased our 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. Such increase was mainly in connection with our Shanghai • Sunkwan Center, Shanghai • Sunkwan International Plaza, Shanghai • Sunkwan Flourish Villa, Shanghai • Sunkwan Flourish Seasons, Shanghai • Future Land Flourish Jade, Shanghai • Future Land Flourish Moon, Hefei • Sunkwan Begonia Seasons and Hangzhou • Sunkwan Majestic Seasons projects; (iii) a decrease in other payables and accruals of RMB558.6 million; (iv) a tax payment of RMB399.0 million; and (v) an interest payment of RMB356.7 million. Such operating cash outflow was partially offset by an increase in contract liabilities of RMB4,707.1 million resulting from our increased sales of properties.

Our net cash used in operating activities was RMB3,806.7 million in 2018, primarily due to (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 from 1,239,007 sq.m. as of December 31, 2017 to 2,337,439 sq.m. as of December 31, 2018. Such increase was mainly in connection with our Hangzhou • Sunkwan Majestic Seasons, Shangrao • Sunkwan Riverside Seasons, Jinhua • Dongyang Metropolis, Ningbo • Cixi Riverview Mansion and Tianmen • Sunkwan Northlake Seasons projects; (ii) a decrease in contract liabilities of RMB2,730.9 million resulting from our delivery of properties, including Sunkwan Flourish Seasons, Shanghai Sunkwan Flourish Villas and Shanghai Future Land Flourish Jade; (iii) an increase in restricted cash of RMB693.7 million; (iv) an interest payment of RMB546.2 million; and (v) a tax payment of RMB370.1 million.

Our net cash from operating activities was RMB2,008.0 million in 2019, primarily due to (i) profit before tax of RMB2,553.5 million and (ii) an increase of RMB2,445.7 million in contract liabilities, mainly after the launch of the pre-sale of our new projects located in Hangzhou, Cixi and Dongyang during the period.

In the four months ended April 30, 2020, our net cash from operating activities was RMB1,106.7 million, primarily due to (i) an increase in contract liabilities of RMB850.0 million and (ii) a decrease in restricted cash of RMB587.0 million. See “Risk Factors — Risks Relating to Our Business and Industry — We recorded negative net operating cash flow during the Track Record Period, which may limit our liquidity and business expansion capabilities” and “Financial Information — Liquidity and capital resources — Cash flows analysis” for details.

Working Capital Management

We manage our working capital under a centralized model and have adopted a two-tier management and organization structure to manage and oversee the use of our working capital. Under such structure, the finance management center at our headquarters manages and oversees the finance departments at each of our regional project companies. The finance management center is in charge of the overall management and implementation of our working capital policies. On the other hand, the finance departments at each of our regional project companies are responsible for the execution of working capital management policies formulated by the finance management center at our headquarters and the formation and execution of working capital plan for their respective regional project companies.

To achieve sufficient working capital, we will continue to (i) monitor our cash outflow associated with the development and construction schedules and land acquisition plans by optimizing the payment schedules for land acquisition costs and construction fees to match our collection schedule for pre-sale proceeds and property sales plan through negotiation and the establishment of cooperation arrangements with our business partners, and (ii) meanwhile, improve our cash inflow associated with property sales by strengthening marketing efforts and enhancing payment collection from our customers with respect to the property sales and pre-sales and further exploring to diversify external financing sources, including but not

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limited to the issuance of corporate bonds, asset-backed securities or other debt offerings when needed, while at the same time, better monitor the maturity of the debts and tighten the financial control, so as to ensure our sufficient working capital.

During the Track Record Period, we provided sufficient working capital to our land acquisition and development activities for our existing property projects through the establishment of our overall management on project development and pre-sale schedule, settlement schedule of land grant contracts and project acquisitions as well as use of our pre-sale and sales proceeds, cash on hand and bank and other borrowings. During the Track Record Period, we were able to maintain sufficient working capital. In addition, as of August 31, 2020, we had unutilized banking facilities of approximately RMB11,025.0 million. We have received and will continue to receive working capital from our operations and funds provided by external financing channels to support our business growth. See “Business — Working Capital Management” and “Financial Information — Liquidity and capital resources — Working Capital Management” for details.

Key Financial Ratios

	Year Ended/As of December 31,			As of/For the Four Months Ended April 30,
	2017	2018	2019	2020
Gross profit margin (%) ⁽¹⁾	30.9	51.5	40.8	51.6
Net gearing ratio (%) ⁽²⁾	684.9	325.9	118.8	73.8
Interest coverage ratio (A) (%) ⁽³⁾	75.8	383.9	279.5	147.0
Interest coverage ratio (B) (%) ⁽⁴⁾	199.0	1,171.1	1,075.6	616.2
Current ratio (times) ⁽⁵⁾	1.1	1.2	1.1	1.1
Return on equity (%) ⁽⁶⁾	5.5	54.9	29.6	16.7
Return on equity to the owners of the parent shareholders (%) ⁽⁷⁾	8.2	24.9	29.8	7.2
Return on assets (%) ⁽⁸⁾	0.3	3.8	3.0	1.9

Notes:

- (1) Gross profit for the period divided by revenue of the period and multiplied by 100.
- (2) Interest-bearing bank and other borrowings less cash and bank balances divided by total equity at the end of the period and multiplied by 100.
- (3) Interest coverage ratio (A) is profit for the period before income tax expense, adding finance costs, divided by interest on interest-bearing bank and other borrowings and lease liabilities and interest expense arising from revenue contracts, which include capitalized interest for the respective period and multiplied by 100.
- (4) Interest coverage ratio (B) is profit for the period before income tax expense, adding finance costs, divided by finance costs and multiplied by 100.
- (5) Total current assets at the end of the period divided by total current liabilities at the end of the period.
- (6) Profit of the year or annualized period (including profit recognized from fair value gains on investment properties) divided by the average of total equity at the beginning and the end of the period and multiplied by 100. Our fair value gains on investment properties amounted to RMB254.2 million, RMB159.8 million, RMB175.8 million and RMB12.5 million in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. See “Risk Factors — Risks Relating to Our Business and Industry — 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” for details.
- (7) Profit of the year or annualized period attributable to owners of the parent divided by the average of equity excluding non-controlling interests at the beginning and the end of the period and multiplied by 100.
- (8) Profit of the year or annualized period divided by the average of total assets at the beginning and the end of the period and multiplied by 100.

Our return on equity to the owners of the parent shareholders increased from 8.2% in 2017 to 24.9% in 2018, and further to 29.8% in 2019. Such continuous growth was primarily because the increase in our profit of the period attributable to owners of the parent outpaced the increase in equity excluding non-controlling interests during the same period. Our return on equity to the owners of the parent shareholders decreased from 29.8% in 2019 to 7.2% in the four months ended April 30, 2020, primarily due to a decrease in net profit attributable to owners of the parent.

Financial Ratios under the Proposed PBOC Standard

As of April 30, 2020, (i) our liability asset ratio (excluding contract liabilities), calculated as dividing our total assets (excluding contract liabilities) by our total liabilities (excluding contract liabilities), was 81.8%; (ii) our net gearing ratio was 73.8%; and (iii) the ratio of our cash and bank balances divided by the current portion of interest-bearing bank and other borrowings was 1.4. For details, please refer to “Financial Information — Key Financial Ratios — Financial Ratios under the Proposed PBOC Standard.”

SUMMARY

[REDACTED] INVESTMENT

We have a [REDACTED] investor, Dr. Lee, who has been a shareholder of our Company through her holding company, Enrich Vast, since June 2019. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Dr. Lee (through Enrich Vast) will be interested in [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of our Company. Apart from the [REDACTED] investment in our Company, Dr. Lee and Enrich Vast neither have any other relationship with our Group or any connected person (as defined under the Listing Rules), nor have any key business relationship with the Controlling Shareholders. Please see “Our History, Reorganization and Corporate Structure — [REDACTED] Investment” for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme), YongHeng Holdings and Ginkgo-BVI will respectively hold approximately [REDACTED]% and [REDACTED]% of the issued share capital of the Company. YongHeng Holdings is wholly owned by FULVA Holding, which is in turn wholly owned by Ms. Zhu through Fulva Family Trust (a discretionary trust established by Ms. Zhu as the settlor and Northern American Trust Company, LLC as the trustee for the benefit of Ms. Zhu and her family). Ginkgo-BVI is held as to 79.48% by Mr. Lin. Each of YongHeng Holdings, FULVA Holding and Ginkgo-BVI is an investment holding company. Accordingly, Ms. Zhu, Mr. Lin, YongHeng Holdings, FULVA Holding and Ginkgo-BVI will be considered as our Controlling Shareholders immediately following the [REDACTED] under the Listing Rules. Please see the section headed “Relationship with Controlling Shareholders” for further details.

[REDACTED]

[REDACTED] size:	Initially [REDACTED]% of the enlarged share capital of our Company
[REDACTED] structure:	Initially [REDACTED]% for the [REDACTED] (subject to reallocation) and [REDACTED]% for the [REDACTED] (subject to reallocation and the [REDACTED])
[REDACTED]	Up to [REDACTED]% of the number of [REDACTED] initially available under the [REDACTED]
[REDACTED] per Share:	HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
[REDACTED] of our Shares ⁽²⁾	HK\$[REDACTED] million	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table do not take into account any Shares which may be issued upon the exercise of the [REDACTED] and the options which may be granted under the [REDACTED] Share Option Scheme and may be allotted and repurchased by our Group pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in “Share Capital.”
- (2) The calculation of [REDACTED] is based on [REDACTED] new Shares expected to be issued under the [REDACTED], and assuming that [REDACTED] Shares are issued and outstanding immediately following the [REDACTED].
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II “Unaudited Pro Forma Financial Information” and on the basis that [REDACTED] Shares are issued and outstanding immediately following the completion of the [REDACTED].

FUTURE PLANS AND [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

SUMMARY

We intend to use the [REDACTED] of the [REDACTED] for the following purposes assuming the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]).

- Approximately [REDACTED], or HK\$[REDACTED] million, will be used within one year after [REDACTED] as the construction costs for the development of our current property projects, namely Ningbo • Cixi Gracious Mansion, Changzhou • Mindcloud Peakview and Foshan • Sunkwan Lakeview Seasons. See “Business — Our Strategies — Continue to further penetrate existing markets and expand into new regions by proactively executing our regional development strategy” and “Business — Our Property Projects” for further details of our projects;
- Approximately [REDACTED], or HK\$[REDACTED] million, will be used for repayment of two of our existing interest-bearing bank and other borrowings for our project development: (i) an one-and-half-years borrowing of RMB[REDACTED] million from Tianjin Trust Co., Ltd., an independent third party of our company, with a fixed interest rate of [REDACTED]% per annum and maturity date of January 25, 2021, and (ii) an one-and-half-years borrowing of RMB[REDACTED] million from JIC Trust Co., Ltd., an independent third party of our company, with a fixed interest rate of [REDACTED]% per annum and maturity date of August 20, 2021. We plan to repay the remaining balances of such loans when due by our cash on hand generated from our operating activities. See “Business — Our Strategies — Continue to increase operational efficiency and optimize cost structure”; and
- Approximately [REDACTED], or HK\$[REDACTED] million, will be used for general working capital purposes.

See “Future Plans and Use of Proceeds” for details.

DIVIDENDS

We may distribute dividends by way of cash, stock or other means that we consider appropriate. Our Company has not declared dividends in the past. We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles of Association, we in general meeting may declare dividends in any currency, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law. See “Financial Information — Dividends” for details.

[REDACTED] EXPENSES

The [REDACTED] expenses in connection with the [REDACTED] consist primarily of [REDACTED] commissions and professional fees. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED] million (HK\$[REDACTED] million), of which (i) RMB[REDACTED] million (HK\$[REDACTED] million) was recognized as administrative expenses, with RMB[REDACTED] million (HK\$[REDACTED] million) charged in 2018, RMB[REDACTED] million (HK\$[REDACTED] million) charged in 2019 and the remaining RMB[REDACTED] million (HK\$[REDACTED] million) charged in the four months ended April 30, 2020, respectively, and (ii) RMB[REDACTED] million (HK\$[REDACTED] million) was capitalized as deferred [REDACTED] expenses. We currently expect to incur additional [REDACTED] expenses amounting to RMB[REDACTED] million (HK\$[REDACTED] million) subsequent to the Track Record Period, of which (i) RMB[REDACTED] million (HK\$[REDACTED] million) will be recognized as administrative expenses, and (ii) RMB[REDACTED] million (HK\$[REDACTED] million) will be recognized as a deduction equity. The [REDACTED] expenses incurred during the Track Record Period and we expect to incur in aggregate are estimated to account for approximately [REDACTED]% of our estimated gross [REDACTED] of HK\$[REDACTED] million from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]). Our Directors do not expect such expenses to have a material adverse impact on our financial results in 2020.

NON-COMPLIANCES

We experienced several incidents of non-compliance during the Track Record Period, including (i) pre-sale incidents, (ii) commencement of construction works prior to obtaining requisite construction work planning permits and/or failure to conduct relevant construction works in accordance with the construction work planning permits, (iii) commencement of construction works prior to obtaining requisite construction work commencement permits and/or failure to fully comply with the relevant laws and regulations in relation to construction work quality, and (iv) sales and leaseback arrangement. For more details, please see “Business — Compliance with Laws and Regulations — Non-compliance Incidents” for details.

SUMMARY

COMPETITIVE LANDSCAPE

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. See “Business — Competition” for details.

RECENT DEVELOPMENTS

Business and Financial Highlights

Subsequent to the Track Record Period and up to the Latest Practicable Date, we acquired ten land parcels located in Hangzhou, Suzhou, Guangzhou, Hefei, Fuyang, Wuhu, Foshan, Dongyang and Cixi, which contributed a total GFA attributable to us of approximately 1,242,071 sq.m. All ten land parcels will be developed by our subsidiaries and we commenced construction of three land parcels in August 2020 and expect to commence construction of the other seven land parcels by early 2021. Please see “Business — Our Property Projects — Property Projects Developed by Our Subsidiaries” and the property valuation report in Appendix III to this document for more details on each of Suzhou • Lakeview Seasons, Foshan • Mindcloud Mansion and Hangzhou • Mindcloud Imperial Garden.

Furthermore, subsequent to the Track Record Period and up to the Latest Practicable Date, we had entered into 13 financing agreements for our project development with asset management companies, which are independent third parties. The principal amount of these financing agreements ranges from approximately RMB3.0 million to RMB450.0 million with annual interest rate ranges from 10.5% to 16.5%, which will mature from November 2020 to May 2023. In addition, we continuously look for additional financing opportunities to broaden our financing channels, lower our funding costs and improve our borrowing maturity structure when needed. Such new financing opportunities may include the issuance of corporate bonds, asset-backed securities programs, onshore and/or offshore bond offerings, and other debt offerings.

We expect that our net profit for the year ending December 31, 2020 will be higher than that for the year ended December 31, 2019, primarily due to a decrease in income tax expense. The estimated decrease in income tax expense would be mainly because (i) we expect to experience a decrease in gross profit margin mainly caused by the geographical difference in delivered properties in 2020 as compared to 2019; and (ii) the sales of certain of our property projects for which the finalized amount of LAT is lower than the provision we estimated during the Track Record Period and therefore we deducted and will continue to deduct such differences from the LAT in 2020. Furthermore, as it is estimated that there will be a decrease in ASP of our properties due to the abovementioned geographical difference in delivered properties in 2020 as compared to 2019, we also 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.

COVID-19 Pandemic

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.

Property Portfolio Exposure

The real estate market in China, particularly Wuhan and other cities in Hubei province, may be materially and adversely affected. As of the Latest Practicable Date, 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 yet, and therefore, no revenue was recognized from them as of the

SUMMARY

Latest Practicable Date. The construction and pre-sale of the two property projects in Wuhan and Tianmen had been temporarily suspended due to quarantine but have since been resumed in early April and end of March 2020, respectively.

Operational Impact

The COVID-19 pandemic caused delay to our original construction schedule of approximately 15 to 20 days on average but all construction works were resumed in April 2020. In addition, the pre-sale, sale and delivery activities of all of our property projects which were temporarily affected by the COVID-19 pandemic had been resumed as of the Latest Practicable Date. Furthermore, we had not experienced any labor shortage nor material fluctuations in construction costs and supply chain disruption as a result of the COVID-19 pandemic.

Financial Impact

Due to the significant outbreak since late January 2020, our sales in February 2020 was down by more than 50% of our original sales target, which was set in terms of contracted sales of properties, and collection of payment was down by approximately 20% of our original collection target for the month. Nevertheless, since most of our projects are located in the first- and second-tier cities, we usually set lower sales target during the Lunar New Year holiday, considering that many potential customers living in the first- and second-tier cities will return to their hometown during this period. Therefore, the negative sales impact caused by the COVID-19 pandemic mainly reflected on the property projects located in strong third-tier cities, which target customers work in other cities and may return during the Lunar New Year holiday to purchase property at their hometown. These sales demand account for approximately 15% of our annual sales targets. Since these are rigid demands, we believe that the COVID-19 pandemic would only cause delay in the purchase and we will be able to make up for the decrease in sales in the second half of 2020. In addition, our sales in March 2020 met over 90% of our original sales target, and collection of payment reached our original collection target for the month. Our sales and collection of payment from April onwards were generally unaffected by the COVID-19 pandemic. Based on the foregoing, we believe that the impact of the COVID-19 pandemic on our overall sales and payment collection targets in 2020 is immaterial.

In addition, our project companies located in Shanghai and provinces of Zhejiang, Henan, Jiangsu, Anhui, Guangdong and Hubei have received exemptions of enterprises premium contribution in an aggregate amount of approximately RMB8.4 million from February to July 2020. Furthermore, our project company in Tianmen has applied and obtained the approval for an exemption of urban land use tax from the local tax authority in the amount of approximately RMB0.1 million in June 2020. See “Regulatory Overview — Taxes — Preferential Policies for the Prevention and Control of the Epidemic Pneumonia Caused by Novel Coronavirus Infection” for details on the PRC government’s policy responses to the COVID-19 pandemic.

Nevertheless, in the worst scenario, where our construction activities are forced to suspend and we cease to bring in any new sales due to the COVID-19 pandemic, we estimate that our existing bank balances and cash of RMB3,433.0 million as of April 30, 2020 and [REDACTED]% of the estimated [REDACTED] from the [REDACTED] that is intended to be used for funding our general working capital purposes can support 16 months starting from May 1, 2020 of our routine business operation activities. This estimation is made based on the assumptions that (i) we suspend all sales, construction and investment activities and will not generate any revenue due to such suspension; (ii) we pay off all our short-term borrowings that will mature within one year in the first three months starting from May 1, 2020; (iii) no layoff or redundancy program is implemented and we will incur expenses to maintain our operations at a minimum level, primarily including estimated monthly fixed costs (including staff costs, rental costs and other miscellaneous charges) and minimal operating and administrative expenses; (iv) we would only use cash and deposits available, including our bank balances and cash of RMB3,433.0 million as of April 30, 2020 and [REDACTED]% of the estimated [REDACTED] from the [REDACTED], and there will be no further internal or external financing from our shareholders or financial institutions; (v) all amounts due from and amounts due to related companies are settled within six months starting from May 1, 2020; and (vi) there will be no material changes in the near future that would significantly affect the aforementioned key assumptions. Our Directors, after due and careful consideration, are of the opinion that the likelihood of the occurrence of such scenario is remote given the visible improvement of COVID-19 situation in China.

SUMMARY

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” and “Business — COVID-19 Pandemic” for the details of the impact of the COVID-19 pandemic on us and the measures we have adopted to cope with it.

Material Adverse Change

Our business remained stable after the Track Record Period and up to the date of this document as there were no material changes to our business models and the general economic and regulatory environment in which we operate. After due and careful consideration, our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial position or prospects since April 30, 2020, and there is no event since April 30, 2020 which would materially affect the information shown in the Accountants’ Report, the text of which is set out in Appendix I.

DEFINITIONS AND GLOSSARY

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Accountants’ Report” the accountants’ report from Ernst & Young, the reporting accountants of our Company, the text of which is set out in Appendix I to this document

[REDACTED]

“Articles” or “Articles of Association” the amended and restated articles of association of our Company, conditionally adopted on [●], 2020, which will come into effect upon [REDACTED], a summary of which is set out in Appendix IV to this document

“average selling price” or “ASP” average selling price on a saleable GFA basis, unless otherwise stated

“Board” or “Board of Directors” the board of directors of our Company

“Broad Holdings” Broad Holdings Limited, a business company incorporated in the BVI with limited liability on September 17, 2018, a shareholder holding 5.00% of the total issued share capital of our Company as of the date of this document

“BVI” the British Virgin Islands

“CAGR” compound annual growth rate

“Cayman Companies Law” or “Companies Law” the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

“CCASS” the Central Clearing and Settlement System established and operated by HKSCC

“CCASS Clearing Participant” a person admitted to participate in CCASS as a direct participant or a general clearing participant

“CCASS Custodian Participant” a person admitted to participate in CCASS as a custodian participant

DEFINITIONS AND GLOSSARY

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changshu Gongzhu”	Changshu Gongzhu Property Co., Ltd. (常熟市共築房地產有限公司), a limited liability company established in the PRC on September 7, 2017 and an indirect non-wholly-owned subsidiary of our Company, which is owned by Suzhou Kunrui (as to 50%) and other independent third parties, being Nantong Zhongnan New World Center Development Limited (南通中南新世界中心開發有限公司) (as to 25%), Changshu Country Garden Real Estate Limited (常熟市碧桂園置業有限公司) (as to 21.25%), Changxing Xinbi Investment Management Partnership (Limited Partnership) (長興新碧投資管理合夥企業(有限合夥)) (as to 2.5%) and Foshan Shunde Sharing Investment Limited (佛山市順德區共享投資有限公司) (as to 1.25%)
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this document and for geographical reference only, Hong Kong, Macau and Taiwan
“China Real Estate Top 10 Research Group”	a research team jointly established by China Index Academy (中國指數研究院), Enterprise Research Institute under the Development Research Center of the State Council (國務院發展研究中心企業研究所) and the Property Research Institute of Tsinghua University (清華大學房地產研究所), which is dedicated to evaluate PRC property developers and releases reports with respect to top 100 property developers in terms of comprehensive development capacity in China every year, based on various assumptions and factors, including but not limited to scale, profitability, growth, stability, financing capacity, operating efficiency and social responsibility

DEFINITIONS AND GLOSSARY

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Sunkwan Properties Group Limited (上坤地產集團有限公司) (formerly known as Sunkwan Inc.), an exempted company incorporated in the Cayman Islands with limited liability on August 21, 2018, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Ms. Zhu, Mr. Lin, YongHeng Holdings, FULVA Holding and Ginkgo-BVI, and a Controlling Shareholder shall mean each or any one of them
“Core Trust”	The Core Trust Company Limited, an independent and professional trust company incorporated under the laws of Hong Kong on September 25, 2012
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which is believed to have first emerged in late 2019
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated [●], 2020 and entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the section headed “Statutory and General Information — E. Other Information — 1. Estate Duty and Deed of Indemnity” in Appendix V to this document

DEFINITIONS AND GLOSSARY

“Deed of Non-Competition”	the deed of non-competition dated [●], 2020 and entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the section headed “Relationship with Controlling Shareholders” in the document
“Director(s)”	the director(s) of our Company
“Dr. Lee”	Dr. Lee Siew Kim, Jean, our [REDACTED] investor
“E-House”	E-House (China) Enterprise Holdings Limited, an independent industry consultant
“EIT”	the PRC enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or modified from time to time
“EIT Regulations”	the Regulation on the Implementation of the EIT Law
“Enrich Vast”	Enrich Vast Limited, a business company incorporated in the BVI with limited liability on July 6, 2018, which is wholly owned by Dr. Lee, a shareholder of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Foison Treasure”	Foison Treasure Limited, a business company incorporated in the BVI with limited liability on July 10, 2018 and a direct wholly-owned subsidiary of our Company
“Fulva Family Trust”	a discretionary trust established by Ms. Zhu (as the settlor) and Northern American Trust Company, LLC (as the trustee), for the benefit of Ms. Zhu and her family
“FULVA Holding”	FULVA Holding Limited, a business company incorporated in the BVI with limited liability on January 3, 2020, which is directly wholly-owned by Northern American Trust Company, LLC as trustee of Fulva Family Trust, and is one of our Controlling Shareholders

DEFINITIONS AND GLOSSARY

“GDP”	gross domestic product
“GFA”	gross floor area
“Ginkgo-BVI”	Ginkgo Gofar Holdings Limited, a business company incorporated in the BVI with limited liability on July 3, 2018, and is one of our Controlling Shareholders
“Ginkgo Gofar”	Shenzhen Ginkgo Gofar Industrial Co., Ltd. (深圳市盈信國富實業有限公司), a limited liability company established in the PRC on July 30, 2014, which is controlled by Mr. Lin, one of our non-executive Directors and Controlling Shareholders
“Ginkgo Individual Shareholders”	the shareholders of Ginkgo-BVI and Ginkgo Gofar, namely Mr. Lin, Mr. Liang Dehui (梁德惠), Ms. Lin Zhaohong (林朝虹), Mr. Wang Liying (萬里營), Mr. Zhang Yue (張躍), Mr. Zhou Yaoming (周耀明), Mr. Zhu Chuting (朱楚廷), Mr. Sun Xinrui (孫新銳), Mr. Liu Weilin (劉維林) and Ms. Peng Jinying (彭金映)

[REDACTED]

“Group”, “our Group”, “Sunkwan Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hangzhou Chenkun”	Hangzhou Chenkun Property Co., Ltd. (杭州辰坤置業有限公司), a limited liability company established in the PRC on February 28, 2018 and an indirect wholly-owned subsidiary of our Company
“Hangzhou Kunxin”	Hangzhou Kunxin Property Co., Ltd. (杭州坤鑫置業有限公司), a limited liability company established in the PRC on November 1, 2017 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

“Hangzhou Sunkwan”	Hangzhou Sunkwan Property Co., Ltd. (杭州上坤置業有限公司), a limited liability company established in the PRC on May 18, 2017 and an indirect wholly-owned subsidiary of our Company
“Hangzhou Xingkun”	Hangzhou Xingkun Property Co., Ltd. (杭州興坤置業有限公司), a limited liability company established in the PRC on July 10, 2017 and an indirect wholly-owned subsidiary of our Company
“Hefei Jiakun”	Hefei Jiakun Property Co., Ltd. (合肥佳坤置業有限公司), a limited liability company established in the PRC on August 9, 2017 and an indirect wholly-owned subsidiary of our Company
“Hefei Kungui”	Hefei Kungui Property Co., Ltd. (合肥坤貴置業有限責任公司), a limited liability company established in the PRC on August 31, 2018 and an indirect wholly-owned subsidiary of our Company
“Hefei Sunkwan”	Hefei Sunkwan Property Co., Ltd. (合肥上坤置業有限公司), a limited liability company established in the PRC on March 29, 2017 and an indirect wholly-owned subsidiary of our Company
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

DEFINITIONS AND GLOSSARY

[REDACTED]

“IFRS”	International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company, our subsidiaries or our connected persons as defined under the Listing Rules
“Industry Report”	the industry report issued by E-House
“Inspiration Holdings”	Inspiration Holdings Limited, a business company incorporated in the BVI with limited liability on September 3, 2018 and a direct wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

[REDACTED]

“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer
“Kunshun Investment”	Zhejiang Kunshun Investment Management Co., Ltd. (浙江坤順投資管理有限公司), a limited liability company established in the PRC on November 1, 2016 and a direct wholly-owned subsidiary of Sunkwan Investment
“LAT”	land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)

DEFINITIONS AND GLOSSARY

“Latest Practicable Date”	September 27, 2020, being the latest practicable date prior to the publication of this document for the purpose of ascertaining certain information contained in this document
	[REDACTED]
“Listing Committee”	the Listing Committee of the Stock Exchange
	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, and subsequently amended on June 22, 2009 by the MOFCOM
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on [●], 2020 with immediate effect, a summary of which is set out in Appendix IV to this document
“Mid-China Core Economic Region”	for the purpose of this document, refers to Henan Province, Hubei Province, Hunan Province and Jiangxi Province

DEFINITIONS AND GLOSSARY

“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen”	Mr. Chen Peng (陳鵬), the spouse of Ms. Zhu
“Mr. Lin”	Mr. Lin Jinfeng (林勁峰), a non-executive Director and one of our Controlling Shareholders
“Ms. Zhu”	Ms. Zhu Jing (朱靜), our founder, chief executive officer, chairman of our Board, an executive Director, one of our Controlling Shareholders and the spouse of Mr. Chen
“NDRC”	National Development and Reform Commission (中華人民共和國發展和改革委員會)

[REDACTED]

“PBOC”	People’s Bank of China (中國人民銀行)

DEFINITIONS AND GLOSSARY

“Pearl River Delta Economic Zone”	for the purpose of this document, refers to Guangdong Province
“[REDACTED] Share Option Scheme”	our [REDACTED] share option scheme conditionally adopted pursuant to the written resolutions passed by our Shareholders on [●], 2020, the principal terms of which are set out in the section headed “Appendix V — Statutory and General Information — D. Share Incentive Schemes — 1. [REDACTED] Share Option Scheme”
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	Commerce & Finance Law Offices, the legal advisers to our Company as the laws of the PRC

[REDACTED]

“recognized GFA”	for the purpose of this document, refers to total GFA so delivered and sold in the relevant period

DEFINITIONS AND GLOSSARY

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the Group in preparation of the [REDACTED], details of which are set out in the section headed “Our History, Reorganization and Corporate Structure” in this document
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	a restricted share unit awarded to a participant under the RSU Scheme
“RSU Nominee”	Broad Holdings
“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on [●], 2020, the principal terms of which are set out in the section headed “Appendix V — Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme” in this document
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular No. 37”	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by the SAFE on July 4, 2014
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently consolidated into the State Administration of Market Regulation (國家市場監督管理總局)

DEFINITIONS AND GLOSSARY

“Sanyou Partnership”	Shanghai Sanyou Investment Partnership (Limited Partnership) (上海三有投資合夥企業)(有限合夥), a limited partnership established in the PRC on July 13, 2015, and is held as to 90% by Ms. Zhu as the general partner and 10% by Mr. Chen as the limited partner
“SAT”	State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Aiyang”	Shanghai Shangkun Aiyang Property Co., Ltd. (上海上坤愛楊置業有限公司), a limited liability company established in the PRC on September 22, 2016 and an indirect wholly-owned subsidiary of our Company
“Shanghai Heji”	Shanghai Heji Property Co., Ltd. (上海賀吉置業有限公司), a limited liability company established in the PRC on September 13, 2017 and an indirect wholly-owned subsidiary of our Company
“Shanghai Huisheng”	Shanghai Huisheng Property Co., Ltd. (上海匯聖置業有限公司), a limited liability company established in the PRC on May 16, 2018 and an indirect wholly-owned subsidiary of our Company
“Shanghai Jiyu”	Shanghai Jiyu Property Co., Ltd. (上海集宇置業有限公司), a limited liability company established in the PRC on May 21, 2018 and an indirect wholly-owned subsidiary of our Company
“Shanghai Kunshang”	Shanghai Kunshang Asset Management Co., Ltd. (上海坤熵資產管理有限公司), a limited liability company established in the PRC on November 12, 2015 and an indirect wholly-owned subsidiary of our Company
“Shanghai Qianpin”	Shanghai Qianpin Culture and Communication Co., Ltd. (上海乾品文化傳播有限公司), a limited liability company established in the PRC on May 5, 2015 and wholly-owned by Ms. Zhu

DEFINITIONS AND GLOSSARY

“Shanghai Rongzhen”	Shanghai Rongzhen Business Management Consulting Co., Ltd. (上海融振企業管理諮詢有限公司), a wholly foreign-owned enterprise with limited liability established in the PRC on October 31, 2018 and an indirect wholly-owned subsidiary of our Company
“Shanghai Yusheng”	Shanghai Yusheng Business Management Consulting Partnership (Limited Partnership) (上海寓勝企業管理諮詢合夥企業) (有限合夥), a limited partnership established in the PRC on April 19, 2017 and a non-wholly-owned subsidiary of our Company, and is held as to 0.01% by Shanghai Huisheng as the general partner and 99.99% by Shanghai Jiyu as the limited partner
“Shangrao Yiju”	Shangrao Yiju Property Co., Ltd. (上饒市宜居置業有限公司), a limited liability company established in the PRC on June 21, 2018 and an indirect wholly-owned subsidiary of our Company
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares in the capital of our Company with nominal value of US\$0.000001 each
“Shenzhen Qianhui”	Shenzhen Qianhui Investment Co., Ltd. (深圳乾輝投資有限公司), a limited liability company established in the PRC on September 26, 2017 and an indirect wholly-owned subsidiary of our Company
“Sheshan Country Club”	Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司), a limited liability company established in the PRC on April 6, 2001 and an indirect non-wholly-owned subsidiary of our Company, which is owned by the indirectly non-wholly-owned subsidiaries of our Company, being Regal Asset Investment Limited (信溢投資有限公司) (as to 93.1%) and Shanghai Xinyao Investment Co., Ltd. (上海新鑰投資有限公司) (as to 6.9%)

DEFINITIONS AND GLOSSARY

“Shirui Partnership” Shanghai Shirui Investment Partnership (Limited Partnership) (上海世蕊投資合夥企業)(有限合夥), a limited partnership established in the PRC on October 13, 2015, and is held as to 1% by Shanghai Qianpin Culture Communication Co., Ltd. (上海乾品文化傳播有限公司) as the general partner and 99% by Ms. Zhu as the limited partner

“Smoothly Holdings” Smoothly Holdings Limited, a business company incorporated in the BVI with limited liability on May 18, 2018, which is wholly owned by Ms. Zhu

[REDACTED]

“Sole Sponsor” ABCI Capital Limited

“sq.m.” square meters

“State Council” the PRC State Council (中華人民共和國國務院)

[REDACTED]

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules

[REDACTED]

“Sunkwan Enterprise” Sunkwan Enterprise Group Company Limited (上坤企業集團股份有限公司), a limited liability company established in the PRC on November 28, 2016, which is owned as to 85% by Sunkwan Industrial and 15% by Shirui Partnership

DEFINITIONS AND GLOSSARY

“Sunkwan Industrial”	Shanghai Sunkwan Industrial Investment Co., Ltd. (上海上坤實業投資有限公司), a limited liability company established in the PRC in February 26, 2010, which is owned as to 43% by Ginkgo Gofar, 42% by Sanyou Partnership and 15% by Shirui Partnership
“Sunkwan International”	Sunkwan International Limited (上坤國際有限公司), a limited company incorporated in Hong Kong on June 18, 2015 and an indirect wholly-owned subsidiary of our Company
“Sunkwan Investment”	Shanghai Sunkwan Investment Management Co., Ltd. (上海上坤投資管理有限公司), a limited liability company established in the PRC on April 5, 2016, a direct wholly-owned subsidiary of Sunkwan Enterprise
“Sunkwan Juji”	Shanghai Sunkwan Juji Investment Management Co., Ltd. (上海上坤聚積資產管理有限公司), a limited liability company established in the PRC on January 29, 2013, which is wholly owned by Sunkwan Enterprise
“Sunkwan Properties”	Sunkwan Properties Co., Ltd. (上坤置業有限公司) (formerly known as Shanghai Sunkwan Properties Co, Ltd. (上海上坤置業有限公司)), a limited liability company established in the PRC on June 15, 2011 and an indirect wholly-owned subsidiary of our Company
“Sunkwan Property Management”	Shanghai Sunkwan Property Management Co., Ltd. (上海上坤物業管理有限公司), a limited liability company established in the PRC on August 28, 2018 and indirectly controlled by Ms. Zhu
“Sunkwan Xinding”	Shanghai Sunkwan Xinding Properties Co., Ltd. (上海上坤欣鼎置業有限公司), a limited liability company established in the PRC on July 11, 2016 and an indirect wholly-owned subsidiary of our Company
“Suzhou Kuncheng”	Suzhou Kuncheng Property Co., Ltd. (蘇州坤成置業有限公司), a limited liability company established in the PRC on February 1, 2018 and an indirect non-wholly-owned subsidiary of our Company, which is owned as to 70% by Suzhou Sunkwan and an independent third party, and 30% by Tibet Yujia Chuangye Investment Management Limited (西藏宇嘉創業投資管理有限公司)

DEFINITIONS AND GLOSSARY

“Suzhou Kunrui”	Suzhou Kunrui Property Co., Ltd. (蘇州坤瑞置業有限公司), a limited liability company established in the PRC on February 23, 2017 and an indirect wholly-owned subsidiary of our Company
“Suzhou Kunxiang”	Suzhou Kunxiang Property Co., Ltd. (蘇州坤翔置業有限公司), a limited liability company established in the PRC on October 9, 2016 and an indirect wholly-owned subsidiary of our Company
“Suzhou Sunkwan”	Suzhou Sunkwan Property Co., Ltd. (蘇州上坤置業有限公司), a limited liability company established in the PRC on November 7, 2016 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the period comprising the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020

[REDACTED]

“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“VAT”	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
“Wanxie HK”	Wanxie HK Limited, a limited company incorporated in Hong Kong on October 2, 2018 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

[REDACTED]

“Winning Concord”	Winning Concord Enterprises Limited, a company incorporated in Hong Kong with limited liability on August 28, 2018 and an indirect wholly-owned subsidiary of our Company
“Yangtze River Delta Economic Region”	for the purpose of this document, refers to Shanghai, Zhejiang Province, Jiangsu Province and Anhui Province

[REDACTED]

“YongHeng Holdings”	YongHeng Holdings Limited, a business company incorporated in the BVI with limited liability on September 17, 2018, which is wholly owned by FULVA Holding and one of our Controlling Shareholders
“Yunlu”	Yunlu Holding Limited, a business company incorporated in the BVI with limited liability on March 3, 2020 and a direct wholly-owned subsidiary of our Company
“Yunqi”	Yunqi Holding Limited, a business company incorporated in the BVI with limited liability on March 3, 2020 and a direct wholly-owned subsidiary of our Company
“Yunyin”	Yunyin Holding Limited, a business company incorporated in the BVI with limited liability on March 3, 2020 and a direct wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY

“Zhaokun Industrial” Shanghai Zhaokun Industrial Co., Ltd. (上海兆坤實業有限公司), a limited liability company established in the PRC on May 7, 2018 and an indirect wholly-owned subsidiary of our Company

“%” per cent

In this document, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names (as appropriate) shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors were made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

An investment in our Shares involves a high degree of risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to buy our [REDACTED]. If any of the circumstances or events described below actually arises or occurs, our business, financial condition, results of operations and prospects would likely suffer. In any such case, the market price of our [REDACTED] could decline and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.

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 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. During the Track Record Period, approximately 100.0%, 100.0%, 76.6% and 97.4% of our revenue from sales of properties in 2017, 2018 and 2019 and the four months ended April 30, 2020 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

RISK FACTORS

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. During the Track Record Period, we acquired land for ten projects through the listing-for-sale process, auctions and public tenders. We also acquired land for 13 projects by cooperating with third-party business partners through joint ventures and associates and for seven projects from third parties by acquiring equity interests in companies that possess land use rights.

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.

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. During the Track Record Period, 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 changes in prevailing and future international and domestic financial market conditions and financing availability.

RISK FACTORS

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 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. 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 “Financial Information — Indebtedness — Interest-bearing Bank and Other Borrowings.”

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 “Regulatory Overview — 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.

RISK FACTORS

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 cyclical, 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 and the price of our [REDACTED].

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.

RISK FACTORS

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, April 30, 2020 and August 31, 2020, our total interest-bearing bank and other borrowings amounted to RMB5,196.8 million, RMB7,458.9 million, RMB6,766.3 million, RMB5,589.0 million and RMB4,761.4 million, respectively. Among our interest-bearing bank and other borrowings as of August 31, 2020, RMB2,003.7 million, or 42.7%, will mature within one year. 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 [REDACTED] from the [REDACTED], and to seek to repay some of the short-term borrowings and replace with some long-term borrowings. See “Future Plans and Use of Proceeds — [REDACTED].” 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

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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 “Financial Information — 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 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. 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 and RMB417.7 million, respectively.

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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.

During the Track Record Period, we held a minority 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. See “Our History, Reorganization and Corporate Structure — Our Corporate Developments,” “Business — Our Property Projects — Voting Right Arrangements” and Note 1 and Note 33 to the Accountants’ Report in Appendix I 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

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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. 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.

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 interest-free cash advances 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 during the Track Record Period. 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 and RMB417.7 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 and RMB1,771.6 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.

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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.

During the Track Record Period, 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 and RMB1,771.6 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 are entitled to receive interest-free cash advances in an amount in proportion to their 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 and RMB2,535.2 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.

During the Track Record Period, 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 created after 2017, (ii) an investment in a fund focusing on the real estate business in China throughout the Track Record Period, 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 and RMB0.3 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 and RMB52.5 million as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively. For details, see “Financial Information — Certain Balance Sheet Items — Financial Assets at Fair Value Through Profit or Loss.” Such financial assets are measured at

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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 during the Track Record Period, 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 “Financial Information — 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.

During the Track Record Period, we had experienced growth in our 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 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 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 and RMB592.7 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.

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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.

Furthermore, during the Track Record Period, 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. In 2018, we primarily delivered our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects. In 2019, we primarily delivered our Shanghai • Sunkwan Flourish Peninsula, Shanghai • Future Land Flourish Moon and Shanghai • Future Land Flourish Peninsula projects. In the four months ended April 30, 2019, we primarily delivered our Shanghai • Future Land Flourish Moon project. In the four months ended April 30, 2020, we primarily delivered our Shanghai • Sunkwan Flourish Peninsula project. These property projects were mainly comprised of townhouses and houses and thus had a relatively higher ASP than our other types of property projects. In addition, the land use rights of such property projects were acquired by us through the acquisition of Shanghai Sheshan Country Club in 2015. According to E-House, the land acquisition costs for our aforementioned property projects were significantly lower than that for land parcels with similar development value for residential use located in Songjiang District in 2015. 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 during the Track Record Period. 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 during the Track Record Period, our business, financial condition and results of operations may be materially and adversely affected.

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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 “Regulatory Overview — 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

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million, RMB763.9 million and RMB232.6 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 and RMB75.5 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 and RMB12.5 million, respectively. We recorded profit for the period of RMB34.6 million, RMB672.9 million, RMB676.9 million and RMB158.4 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. See “— The appraised value of our properties may be different from their actual realizable value and are subject to change” below for further details regarding the uncertainty in valuation in respect of our investment properties.

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

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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 and RMB18.3 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. During the Track Record Period, we had three property projects, namely, Hangzhou • Sunkwan Majestic Seasons, Suzhou • Sunkwan Riverside Seasons and Hefei • Sunkwan Begonia Seasons, which had recorded an impairment loss, primarily caused by the changes in our expected selling prices resulting from the price restriction policies in Hangzhou, Suzhou and Hefei, respectively. Pursuant to the relevant local price restriction policies, the local pricing administration in Hangzhou, Suzhou and Hefei evaluated our Hangzhou Sunkwan Majestic Seasons, Suzhou Sunkwan Riverside Seasons and Hefei Sunkwan Begonia Seasons projects and imposed the approved selling prices on these property projects, respectively.

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Based on the approvals we received in January 2019, November 2017 and June 2018, respectively, these approved selling prices were 2.5%, 10.1% and 7.9% lower than our planned selling prices of the aforementioned property projects, respectively. As a result, we expect to recognize a total impairment losses of RMB33.4 million, RMB102.0 million and RMB35.3 million for our Hangzhou • Sunkwan Majestic Seasons, Suzhou • Sunkwan Riverside Seasons and Hefei • Sunkwan Begonia Seasons projects, respectively, which primarily represented the unrecoverable development costs and expenses associated with such property projects. As a result, we recognized impairment losses of properties under development of RMB44.3 million, RMB58.5 million, RMB37.9 million and RMB4.7 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 transferred from properties under development to completed properties held for sale. See “Financial Information — Certain Balanced Sheet Items — Properties under Development” and “Financial Information — Certain Balanced Sheet Items — 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;

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- 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 and RMB9,179.5 million as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively. See Note 29 of the Accountants’ Report in Appendix I for details.

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. During the Track Record Period and up to the Latest Practicable date, 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

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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 “Regulatory Overview — Qualifications of Real Estate Developers” for details. We cannot assure you that such incidents will not occur in the future.

During the Track Record Period, 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 Latest Practicable Date. See “Business — Compliance with Laws and Regulations — Non-compliance Incidents” for more details. 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

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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. During the Track Record Period, 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 Latest Practicable Date. 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

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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. During the Track Record Period, 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.

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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, including 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” and “Business — Compliance with Laws and Regulations — Non-compliance Incidents — Pre-sale incidents” for more details on our pre-sale activities and compliance with the relevant pre-sale laws and regulations during the Track Record Period. There can be no assurance that the PRC government and local

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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.

During the Track Record Period, 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 and RMB197.3 million, respectively, and recorded RMB91.6 million, RMB1,671.7 million, RMB1,275.6 million and RMB81.3 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

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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 and RMB492.5 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. See “Financial Information — Certain Balance Sheet Items — Prepayments, Other Receivables and Other Assets.”

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 and RMB778.3 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

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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,

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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 “Regulatory Overview.”

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. During the Track Record Period, we leased certain properties from independent third-party landlords mainly for our office premises. As of the Latest Practicable Date, we failed to register

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80 leases for properties with an aggregate GFA of approximately 7,705 sq.m. 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 shift 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.

The appraised value of our properties may be different from their actual realizable value and are subject to change.

The appraised value of our properties as set forth in the property valuation report contained in Appendix III is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves is based, include that (i) we will develop and complete the projects in a timely manner in accordance with our latest development proposals provided to JLL and set out in the property valuation report contained in Appendix III; (ii) we have obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects, which do not allow for any delays, such as those that may be caused by weather or natural disasters, or delays in the timely completion of demolition and relocations; and (iii) we have

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paid all the land premium and demolition and resettlement costs and obtained all land use right certificates and transferable land use rights without any obligation to pay additional land premium or demolition and resettlement costs.

Even though JLL adopted valuation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted by JLL may be incorrect. As a result, the appraised value of our properties may differ materially from the price we would receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property development projects, as well as national and local economic conditions, may affect the value of our properties.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by JLL in appraising the value of our properties will prove inaccurate. Therefore, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable values. Unforeseeable changes to the development of our property development projects as well as national and local economic conditions may affect the value of our property holdings.

In addition, the appraised value of our investment properties is based on key assumptions including the properties’ market position, levels of reversionary capitalization rate, rent and/or price. Under IFRSs, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss and other comprehensive income in the period when they arise. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such investment properties. See “Financial Information — Critical Accounting Policies and Estimates — Investment Properties.”

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

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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 and RMB6,567.8 million, respectively. We cannot assure you that defaults by purchasers will not occur in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, if there is a material depreciation in the market value of the relevant properties, or if we cannot resell such properties due to unfavorable market conditions or for other reasons, our business, financial condition and results of operations may be materially and adversely affected.

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

We strategically retain certain quality commercial properties for investment purposes and we mainly operate our commercial property businesses by way of direct leasing or through sales and leaseback arrangement, under which we sell a property and then lease it back from the legal owner to generate rental income. As of December 31, 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 and RMB2,930.9 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.

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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.

During the Track Record Period, 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-lessor afterwards, we might incur loss under such sales and leaseback arrangement, and our business, financial condition and

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results of operations might be materially and adversely affected. See “Business — Compliance with Laws and Regulations — Non-compliance Incidents — Sales and leaseback arrangement” and “Financial Information — Critical Accounting Policies and Estimates — Sales and Leaseback” for details.

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. During the Track Record Period, 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

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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

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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.

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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 the Latest Practicable Date, 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 yet, and therefore, no revenue was recognized from them as of the Latest Practicable Date. The construction and pre-sale of the two property projects in Hubei province have been temporarily suspended due to quarantine.

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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. See “Business — COVID-19 Pandemic” for the details of the impact of the COVID-19 pandemic on us and the measures we have adopted to cope with it. 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 during the Track Record Period 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. See “Business — Legal Proceedings and Material Claims” for details. These disputes may lead to legal or other

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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 the Track Record Period. See “Financial Information — Early Adoption of IFRS 9, IFRS 15 and IFRS 16” for more detailed information on the adoption and these accounting policies and the impact on us. 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.

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RISKS RELATING TO DOING BUSINESS IN CHINA

A severe or prolonged deterioration in the Chinese or global economy or financial market may materially and adversely affect our business, financial condition and results of operations.

Any severe or prolonged slowdown in the Chinese or global economy may have a negative impact on our business, financial condition and results of operations. In particular, general economic factors and conditions in China or worldwide, including the general interest rate environment and unemployment rates, may affect consumers’ demand for properties and their ability to seek credit. Economic conditions in China are sensitive to global economic conditions. The global macroeconomic environment is facing challenges, including the end of quantitative easing and start of interest rate hikes by the U.S. Federal Reserve and the economic slowdown in the Eurozone since 2014. More recently, the withdrawal of the United Kingdom from the European Union in January 2020 has created further challenges to regional stability, which may in turn adversely impact the world economy and subject the global market to a period of fluctuations and volatility.

In addition, the prolonged trade dispute between the U.S. and China may continue to weaken the global economy, raise prices for businesses and consumers, delay corporate investments and slow economic growth around the globe. Even though the U.S. and China entered into an initial phase of trade deal in early 2020, the impact of such agreement on the Chinese economy is still largely unknown as sources of tension remain in the US-China trade relationship. If present Chinese and global economic uncertainties persist, we may have difficulty in selling our properties. Any potential changes in monetary policies in China may increase the overall purchasing costs and reduce the credit availabilities for consumers, which may adversely affect our business and results of operations. Should any of these situations occur, our business and financial condition will be negatively impacted. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

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 and prior court decisions can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce 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

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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) that some rules may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors may have expected in countries with more sophisticated real estate laws and regulations.

Furthermore, China is geographically large and divided into various provinces, municipalities and as such, when PRC laws, rules, regulations and policies apply in different provinces, there may be different and varying applications and interpretations in different parts of China. 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 also 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, each court might refuse to make the documentation that it holds available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the [REDACTED] from the [REDACTED] or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans or additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing or registration procedures, our ability to use the [REDACTED] of the [REDACTED] and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. Therefore, our availability of funds to pay dividends to our Shareholders largely depends upon dividends received from our subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

The 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 PRC subsidiaries 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, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, under the EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise.

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In April 2009, SAT promulgated a circular to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (iv) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. However, as this circular only applies to enterprises established outside China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in China, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider ourselves to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise,” we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

We face uncertainties relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“SAT Circular No. 7”) issued by the PRC State Administration of Taxation.

On February 3, 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“SAT Circular No. 698”), previously issued by the State Administration of Taxation on December 10, 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding the PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on

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a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganization, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Fluctuations in the value of the Renminbi and the PRC government’s control over foreign currency conversion may adversely affect our business, results of operations and our ability to remit dividends.

Substantially all of our revenue and expenditures are denominated in Renminbi, while the [REDACTED] from the [REDACTED] 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.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall 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 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 business. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by the SAFE and its branches and/or 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

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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**”). 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 sufficient 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.

Our investment properties are located on land parcels that are 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 is 70 years for residential purpose, 40 years for commercial, tourism or recreational purposes and 50 years for industrial or other purposes. Upon expiration, the land use rights 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 such 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 an 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 [REDACTED], run its full term, there is no precedent to provide an indication of the amount of 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 expiration thereof.

In certain circumstances, the PRC government may, where it considers 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 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 to any of our investment properties, our operations and business could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

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Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could subject us and our PRC resident Shareholders to liabilities under the PRC laws.

The SAFE Circular No. 37, which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident (“**PRC Resident**”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Offshore SPV**”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Pursuant to the Circular 13, the aforesaid registration shall be reviewed and handled by the banks and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. Following the initial registration, the PRC Resident is also required to make registrations for any major changes in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of the Offshore SPV’s operations, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposed restrictions on the ability of the Offshore SPV’s PRC subsidiary to distribute dividends to its overseas parent.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our [REDACTED] and their liquidity and market price may be volatile.

Prior to the [REDACTED], there has been no public market for our [REDACTED]. The initial issue [REDACTED] for our [REDACTED] was the result of negotiations between us and the [REDACTED], and the [REDACTED] may differ significantly from the market price of our [REDACTED] following the [REDACTED]. We have applied for [REDACTED] of, and [REDACTED] in, our [REDACTED] on the Stock Exchange. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our [REDACTED] will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our [REDACTED] will not decline following the [REDACTED]. Furthermore, the price and [REDACTED] volume of our [REDACTED] may be volatile. The following factors could affect the [REDACTED] volume and market price of our [REDACTED]:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or departure of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

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- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, industries and events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding [REDACTED] or sales or perceived sales of additional [REDACTED] by us or our Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that are unrelated or not directly related to the operating performance of the underlying companies. These widespread market and industry fluctuations may have a material adverse effect on the market price and [REDACTED] volume of our [REDACTED].

Future sales or perceived sales of substantial amounts of our securities in the public market could adversely affect the market price of our [REDACTED] and our ability to raise capital in the future, or may result in dilution of your shareholding.

The market price of our [REDACTED] could decline as a result of future sales of substantial amounts of our [REDACTED] or other securities relating to our [REDACTED] in the public market, or the issuance of new [REDACTED] or other securities relating to our [REDACTED] or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially and adversely affect the prevailing market price of our [REDACTED] and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the [REDACTED].

A certain number of our Shares held by existing Shareholders are or will be subject to [REDACTED] undertakings for a period of time after completion of the [REDACTED]. See “Underwriting — Underwriting Arrangements and Expenses — [REDACTED] — Undertakings to the Stock Exchange Pursuant to the Listing Rules” and “Underwriting — Underwriting Arrangements and Expenses — [REDACTED] — Undertakings Pursuant to the [REDACTED].” After the lapse of the abovementioned restrictions, future sales or perceived sales of substantial amounts of our Shares by our Controlling Shareholders, or the possibility of such sales by us, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

RISK FACTORS

Because there will be a gap of several days between pricing and [REDACTED] of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall when the [REDACTED] of our Shares commences.

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be about five Hong Kong business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise [REDACTED] our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when [REDACTED] commences as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins.

We will be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

Upon completion of the [REDACTED], assuming the [REDACTED] is not exercised and without taking into consideration of our Shares that may be issued pursuant to any option that may be granted under the [REDACTED] Share Option Scheme, Ms. Zhu and Mr. Lin, our Controlling Shareholders will beneficially own and control approximately [REDACTED]% and [REDACTED]% of our share capital, respectively. Subject to the Articles of Association, our Controlling Shareholders will continue to have the ability to exercise a controlling influence over our management, policies, business and affairs by controlling the composition of our Board, determining the timing and amount of dividend distributions, approving material transactions such as major mergers, acquisitions and overseas investments, approving our annual budgets and amending the Articles of Association. The interest of our Controlling Shareholders may differ from the interest of our other Shareholders, and our Controlling Shareholders have no obligation to consider the interests of our other Shareholders. We cannot guarantee that our Controlling Shareholders will not cause us to revise our business strategies, enter into transactions, take or fail to take any other actions or make decisions that conflict with the best interests of our other Shareholders. In the event that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be disadvantaged.

As the [REDACTED] of our [REDACTED] is higher than our net tangible book value per [REDACTED], purchasers of our [REDACTED] in the [REDACTED] may experience immediate dilution upon such purchases.

As the [REDACTED] of our [REDACTED] is higher than the net tangible assets per [REDACTED] immediately prior to the [REDACTED], purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in pro forma adjusted net tangible assets of RMB[REDACTED] per [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], that being the mid-point of the stated [REDACTED], and assuming the [REDACTED] for the [REDACTED] is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per [REDACTED] of their [REDACTED]. In addition, we may issue additional Shares

RISK FACTORS

or equity-related securities in the future, including but not limited to the issue of additional Shares under the [REDACTED] Share Option Scheme and the RSU Scheme, or raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted.

We cannot guarantee that we will pay dividends.

We did not declare or pay any dividend during the Track Record Period. Our Board of Directors has discretion in determining the frequency and amount of dividend distributions, which will be subject to the approval of our Shareholders at a general meeting. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our cash flows, financial condition and results of operations, capital adequacy ratios, operating and capital expenditure requirements, distributable profits of our PRC subsidiaries as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. See “Financial Information — Dividend.” There is no assurance that we will adopt the same dividend policy as we have adopted in the past.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the Chinese economy and the Chinese real estate industry contained in this document.

We have derived certain facts, forecasts and other statistics in this document, particularly those relating to China, the Chinese economy and the Chinese real estate industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the [REDACTED] or any of our or their respective affiliates or advisers, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside China. Such facts, forecasts and statistics include the facts, forecasts and statistics used in “Risk Factors,” “Industry Overview” and “Business.” Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

RISK FACTORS

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].

Before the publication of this document, there may be press and media coverage which contains certain information regarding the [REDACTED] and us that is not set out in this document. We have not authorized the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, prospective investors should not rely on any such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinary residents in Hong Kong. Since substantially all of our Company’s business operations and management are located in the PRC, there is no need to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Zhu, our executive Director, president and chairman of our Board and Mr. Lee Leong Yin, our joint company secretary. Both of the authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all our Directors (including our independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact our Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us;
- (b) to enhance the communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy whereby:
 - (i) each Director will provide, if available, his/her mobile phone number, office phone number, email address and facsimile number to the authorized representatives;
 - (ii) each Director will provide his/her phone numbers or means of communication to the authorized representatives when he/she is traveling; and
 - (iii) all Directors and the authorized representatives will provide, if available, their mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Maxa Capital Limited to act as our compliance adviser who will act as an additional channel of communication with the Stock Exchange and will advise on on-going compliance requirements and other issues pursuant to Rule 3A.23 for a period commencing from the [REDACTED] until at least the date on which our Company publishes our annual report in respect of our financial statements for the first full financial year after the [REDACTED] pursuant to Rule 13.46 of the Listing Rules;
- (d) any meeting between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in our Company’s authorized representatives; and
- (f) our Directors who are not ordinary residents in Hong Kong possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

WAIVER IN RELATION TO COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

According to Note 1 of Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Further, under Note 2 of Rule 3.28 of the Listing Rules, the Stock Exchange will consider the following factors of the individual in assessing “relevant experience”:

- a. length of employment with the issuer and other issuers and the roles he or she played;
- b. familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- c. relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules (i.e. taking no less than 15 hours of relevant professional training in each financial year of the Company); and
- d. professional qualifications in other jurisdictions.

We have appointed Ms. Lu Shiyuan as one of the joint company secretaries. Ms. Lu has extensive knowledge about our business operations and corporate culture and has extensive experience in matters concerning the Board and our corporate governance. Ms. Lu is an assistant president of our Group and the general manager of the financial management center at Zhaokun Industrial. She is primarily responsible for the financial and capital management of our Group and company secretarial matters of our Company. For further details of Ms. Lu’s biographical information, please see the section headed “Directors, Senior Management and Employees.” However, Ms. Lu does not possess the specified qualifications required by Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules. As a result, we have appointed Mr. Lee Leong Yin, an associate member of The Hong Kong Institute of Chartered Securities who meets the requirements under Rule 3.28 of the Listing Rules, to act as another joint company secretary and to provide guidance and assistance to Ms. Lu for an initial period of three years from the [REDACTED] so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Mr. Lee will work closely with Ms. Lu to jointly discharge the duties and responsibilities as joint company secretaries and assist Ms. Lu to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. In addition, we will ensure that Ms. Lu has access to relevant training and support to familiarize herself with the Listing Rules and the duties required for a joint company secretary of a Cayman Islands issuer listed on the Stock Exchange. Ms. Lu also undertakes to take no less than 15 hours of relevant professional training in each financial year of our Company. We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [REDACTED], on the condition that Mr. Lee is engaged as a joint company secretary and provides assistance to Ms. Lu during this period. If Mr. Lee ceases to provide assistance and guidance to Ms. Lu during this period or upon the expiry of the three-year period after the [REDACTED], whichever occurs first, the waiver will be immediately withdrawn. Before the expiry of the three-year period, we will conduct a further evaluation and to liaise with the Stock Exchange to enable it to assess whether Ms. Lu has acquired the relevant experience for discharging the function of a company secretary under Rules 3.28 and 8.17 of the Listing Rules. Our Company and Ms. Lu would then endeavor to demonstrate to the Stock Exchange’s satisfaction that Ms. Lu, having had the benefit of Mr. Lee’s assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and there is no need to further apply for a waiver.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE LISTING RULES

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountants’ report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to acquire or proposed to be acquired since the date to which the latest audit accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the [REDACTED] document (“**Relevant Requirements**”).

Hefei Xinbai Acquisition

On March 27, 2020, Hefei Yikun Property Co., Ltd. (合肥儀坤置業有限公司) (“**Hefei Yikun**”), an indirect wholly-owned subsidiary of our Company, entered into a cooperative development agreement with Hefei Juqi Property Co., Ltd. (合肥居齊置業有限公司) (“**Hefei Juqi**”), Fuyang Diabetes Hospital (阜陽糖尿病醫院) (“**Fuyang Hospital**”) and Anhui Xinghao Real Estate Marketing Planning Co., Ltd. (安徽興灝房地產營銷策劃有限公司) (“**Anhui Xinghao**”). Hefei Juqi is an indirect majority-owned subsidiary of our Company engaging in property development business, which is owned as to 70% by Hefei Yikun and 30% by Anhui Xinghao. Fuyang Hospital is a hospital specialising in the provision of diabetic medical services and rehabilitation services for the elderly and disabled persons. Anhui Xinghao is a company engaging in property development business. Pursuant to the cooperative development agreement, Hefei Juqi agreed to acquire 90% of the equity interest in Hefei Xinbai Medical Devices Co., Ltd. (合肥新柏醫療器械有限公司) (“**Hefei Xinbai**”) (an investment holding company) from its then sole shareholder, Fuyang Hospital, by way of capital injection. It was the intention of the parties to jointly develop the land parcel to be held by a project company which will be established and wholly-owned by Hefei Xinbai (the “**Hefei Project Company**”). The land parcel is located in Fuyang city in the PRC with a site area of approximately 67,333 sq.m. and will be divided into two zones for residential use and social welfare use, respectively. The total consideration of the Hefei Xinbai Acquisition was RMB9,000,000, which was determined with reference to the amount of the registered capital of Hefei Xinbai. To the best knowledge, information and belief of our Directors having made all reasonable enquiry, each of Fuyang Hospital and its ultimate beneficial owners was an independent third party of our Company and its connected persons. As of the Latest Practicable Date, our Company did not, directly or indirectly, hold any equity interest in Hefei Xinbai. Upon completion of the Hefei Xinbai Acquisition, which is expected to be in or about December 2020, our Company will be indirectly interested in 90% of the equity interest in Hefei Xinbai. Pursuant to the cooperative development agreement, Fuyang Hospital will hold 100% of the interest of the social welfare use zone of the land parcel to be held by the Hefei Project Company, while Hefei Juqi will not hold any interest in such social welfare use zone, hence Hefei Xinbai will be accounted for as an associate of our Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Based on the following reasons in relation to the Hefei Xinbai Acquisition, or the Post-Track Record Period Acquisition, our Company has applied to the Stock Exchange for[, and the Stock Exchange has granted to us,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules:

- (a) **Our Group has entered into the Post-Track Record Period Acquisition in its ordinary and usual course of business:** Our Group had entered into the Post-Track Record Period Acquisition in its ordinary and usual course of business. The purpose of the Post-Track Record Period Acquisition was to obtain land use right to be held by Hefei Xinbai, so as to enable our Group to further develop property project and broadening our revenue base. It is not uncommon in the PRC for real estate companies to acquire land use rights by directly or indirectly acquiring the company holding the interest of the land. The basis for determining the consideration of the Post-Track Record Period Acquisition is through arm’s length negotiations between the parties and on normal commercial terms with reference to the registered capital of Hefei Xinbai. Our Directors believe that the terms of the Post-Track Record Period Acquisition are fair and reasonable and in the interests of our Company and our Shareholders as a whole.
- (b) **Immateriality of the Post-Track Record Period Acquisition:** The scale of the business operated by Hefei Xinbai, as compared to that of our Group, is not material. While Hefei Xinbai had not been established as of December 31, 2019, no financial information for the year ended December 31, 2019 is available for computation of the revenue ratio and profits ratio of the Post-Track Record Period Acquisition by reference to the most recent financial year of the Track Record Period (i.e. the year ended December 31, 2019). Based on the unaudited financial information of Hefei Xinbai available to our Company, the assets ratio of the Post-Track Record Period Acquisition by reference to April 30, 2020 is below 5%. Although the Post-Track Record Period Acquisition represents a suitable strategic acquisition target of our Group, it is expected that Hefei Xinbai will not constitute a material subsidiary of our Company. As such, a waiver from compliance with requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules would not prejudice the interests of the investing public.
- (c) **Audited historical financial information is not available:** Since Hefei Xinbai had not been established as of December 31, 2019, no audited historical financial information for the year ended December 31, 2019 is available.
- (d) **Disclosure of necessary information in the [REDACTED] document:** With a view to allowing the potential investors to understand the Post-Track Record Period Acquisition in greater details, our Company has included in this document the following information in relation to the Post-Track Record Period Acquisition, which is comparable to the information that is required to be included in the announcement of a disclosable transaction under Chapter 14 of the Listing Rules, including (i) general description of the scope of principal business activities of the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

target company and the seller(s); (ii) financial information of the target company (where available); (iii) the consideration of the transaction; (iv) the basis on which the consideration was determined; (v) how the consideration is to be satisfied and the payment terms; and (vi) reasons for and benefits of the transaction. For further details, please see “Our History, Reorganization and Corporate Structure — Post-Track Record Period Acquisition” in this document.

As the consideration with respect to the Post-Track Record Period Acquisition will be fully settled in cash utilizing internal resources of our Company, we do not expect to apply any [REDACTED] from the [REDACTED] to finance the Post-Track Record Period Acquisition.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the [REDACTED], certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules from strict compliance with the announcement requirement in respect of certain non-exempt continuing connected transactions. Please see the section headed “Connected Transactions” in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality

Executive Directors

ZHU Jing (朱靜)	Room 1201, No. 18 No. 333 Nong, Fangdian Road Pudong New District Shanghai PRC	Chinese
SHENG Jianjing (盛劍靜)	Room 601, No. 35 Nong Guohe Road Shanghai PRC	Chinese
YANG Zhandong (楊佔東)	Room 301, No. 10 No. 1855 Nong Guangxing Road Zhongshan Street Songjiang District Shanghai PRC	Chinese

Non-Executive Directors

LIN Jinfeng (林勁峰)	Room 5B, Building 42 Dongle Garden Buxin Road Luohu District Shenzhen Guangdong PRC	Chinese
LIN Zhaohong (林朝虹)	Room 28Q, Tower B Danfeng Yayuan No. 1 Number Four Road Futian District Shenzhen Guangdong PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Independent Non-Executive Directors		
GUO Shaomu (郭少牧)	Block 31, 28th Floor, Baguio Villa 550 Victoria Road Hong Kong	Chinese
AU YEUNG Po Fung (歐陽寶豐)	Flat F, 28/F, Block 2 Broadview Court 11 Shum Wan Road Hong Kong	Chinese
ZHOU Zheren (周喆人)	Block 20, Hongmei Villa 2989 Hongmei Road Minhang District Shanghai PRC	Chinese

Further information about the Directors and other senior management members are set out in the section headed “Directors, Senior Management and Employees” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

ABCI Capital Limited
11/F, Agriculture Bank of China Tower
50 Connaught Road Central
Hong Kong

[REDACTED]

Legal Advisers to Our Company

As to Hong Kong law:

Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
6F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
China

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Sole Sponsor and
the [REDACTED]**

As to Hong Kong law:

Sidley Austin

Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

Auditor and Reporting Accountants

Ernst & Young

Certified Public Accountants

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

Industry Consultant

**E-House (China) Enterprise Holdings
Limited**

9/F, Qiushilou
No. 383 Guangyan Road
Jingan District
Shanghai
PRC

Independent Property Valuer

**Jones Lang LaSalle Corporate Appraisal
and Advisory Limited**

7/F One Taikoo Place
979 King’s Road
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office

Sertus Chambers, Governors Square
Suite #5-204, 23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman KY1-1104
Cayman Islands

Head Office in the PRC

8/F, Tower 5
No. 1399 Xinzhen Road
Minhang District
Shanghai
PRC

Principal Place of Business in Hong Kong

40/F, Sunlight Tower
248 Queen’s Road East
Wanchai
Hong Kong

Company’s Website

www.sunkwan.com.cn
*(The information on the website does not
form part of this document)*

Joint Company Secretaries

Ms. Lu Shiyuan (陸石媛)
Room 402, No. 129
No. 888 Nong Laiting Nan Road,
Jiuting Town
Songjiang District
Shanghai
PRC

Mr. Lee Leong Yin (李亮賢) (ACS, ACIS)
40/F, Sunlight Tower
248 Queen’s Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

Authorized Representatives

Ms. Zhu Jing (朱靜)
Room 1201, No. 18
No. 333 Nong, Fangdian Road
Pudong New District
Shanghai
PRC

Mr. Lee Leong Yin (李亮賢) (*ACS, ACIS*)
40/F, Sunlight Tower
248 Queen’s Road East
Wanchai
Hong Kong

Audit Committee

Mr. Au Yeung Po Fung (*Chairman*)
Mr. Guo Shaomu
Mr. Zhou Zheren

Remuneration Committee

Mr. Guo Shaomu (*Chairman*)
Mr. Zhou Zheren
Ms. Sheng Jianjing

Nomination Committee

Ms. Zhu Jing (*Chairman*)
Mr. Guo Shaomu
Mr. Zhou Zheren

[REDACTED]

CORPORATE INFORMATION

Compliance Adviser

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wanchai
Hong Kong

Principal Banks

Bank of China (Hong Kong) Limited
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1 Garden Road
Central
Hong Kong

China Construction Bank Corporation
Shanghai Tuanjie Road Branch
41 Tuanjie Road
Baoshan District
Shanghai
PRC

Bank of Shanghai Co. Ltd.
Shanghai Caobao Road Branch
6 Caobao Road
Minhang District
Shanghai
PRC

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this document have been derived from various official and government publications, publicly available market research sources and an industry report commissioned by us and independently prepared by E-House in connection with the [REDACTED]. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false and misleading in any material respect. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any other party involved in the [REDACTED] or their respective directors, advisers and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any other party involved in the [REDACTED] or their respective directors, advisers and affiliates make any representation as to the correctness or accuracy of such information and the statistics contained in this document, which may be inaccurate, incomplete, out-of-date or inconsistent with other information compiled within or outside China. Certain information and statistics included, including those excerpted from official and government publications and sources in China, may not be consistent with other information and statistics compiled within or outside China by third parties. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have commissioned E-House, an independent third party and experienced China real estate research institution, to prepare the E-House Research Report as to the real estate markets in China and the regions and cities in which we currently operate. We have agreed to pay E-House a total fee of RMB500,000 for the preparation of E-House Research Report, which we believe is in line with the market rate.

E-House is a leading real estate transaction service provider in China with unique competitive advantages of real estate big data. E-House mainly provides first-hand real estate agency services, real estate big data and consulting services and second-hand real estate brokerage platform. Clients of E-House cover all aspects of the real estate value chain, including real estate developers, buyers and brokers, as well as other industry participants.

E-House prepared this industry report based on its database developed by China Real Estate Information Company (克而瑞信息集團) (“CRIC”), the database of various statistical bureaus and a variety of government publications. These databases and government publications have been widely used and relied on in China’s real estate sector.

In the preparation of industry report and regional ranking data, E-House has relied on the following assumptions: (i) all data published by the Bureau of statistics are accurate; (ii) all data collected from relevant local housing administrations on residential sales transactions are accurate; (iii) if the subscribed data come from well-known public institutions, E-House has relied upon the expertise of these institutions.

Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the E-House Research Report and up to the Latest Practicable Date, which may qualify, contradict or have an impact on the information disclosed in this section.

OVERVIEW OF THE PRC ECONOMY

In recent years, China’s economy has transitioned from one focused on scale and speed of its growth to one that focuses on the quality and efficiency of the development. In 2019, China’s nominal GDP has increased to nearly 100 trillion, with a year-on-year growth of 6.1%. China’s economy has reached to a new stage of high-quality growth.

INDUSTRY OVERVIEW

The following table sets forth selected economic indicators of the PRC for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	59,296	64,128	68,599	74,006	82,075	91,928	99,087	8.9%
Actual GDP growth rate (%)	7.8%	7.3%	6.9%	6.7%	6.9%	6.7%	6.1%	6.9%*
Fixed assets investment (RMB billion)	44,462	51,202	56,200	60,647	64,124	64,568	56,087	3.9%
Population (million)	1,361	1,365	1,375	1,383	1,390	1,395	1,400	0.5%
GDP per capita (RMB)	43,684	47,005	50,028	53,680	59,201	64,644	70,892	8.4%

Data source: National Bureau of Statistics of China (“NBSC”)

* Arithmetic average mean from 2013 to 2019

OVERVIEW OF THE PRC REAL ESTATE MARKET

According to the data of NBSC, the PRC residential property market showed strong resilience and remained overheated in 2019. Despite the macro-control policies adopted by the PRC government with the aim of regulating speculative real estate investment and increasing the supply of affordable residential properties, total investment in residential property market still increased from RMB5,895 billion in 2013 to RMB9,707 billion in 2019, representing a CAGR of 8.7%. Among others, the ASP of residential property increased from RMB5,850/sq.m. in 2013 to RMB9,287/sq.m. in 2019, representing a CAGR of 8.0%.

The following table sets forth the relevant data relating to the PRC real estate market for the years indicated:

	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Total investment in real estate market (RMB billion)	8,601	9,504	9,598	10,258	10,980	12,026	13,219	7.4%
Residential property								
Investment in residential property (RMB billion)	5,895	6,435	6,460	6,870	7,515	8,519	9,707	8.7%
GFA of sold residential property (million sq.m.)	1,157	1,052	1,124	1,375	1,448	1,479	1,501	4.4%
Average selling price of residential property (RMB/sq.m.)	5,850	5,933	6,472	7,203	7,614	8,544	9,287	8.0%
Office property								
Investment in office property (RMB billion)	465	564	621	653	676	600	616	4.8%
GFA of office property sold (million sq.m.)	29	25	29	38	48	44	37	4.3%
Average selling price of office property (RMB/sq.m.)	12,997	11,826	12,914	14,334	13,543	14,387	14,314	1.6%
Retail property								
Retail property investment (RMB billion)	1,195	1,435	1,461	1,584	1,564	1,418	1,323	1.7%
GFA of retail property sold (million sq.m.)	85	91	93	108	129	120	102	3.0%
Average selling price of retail property (RMB/sq.m.)	9,777	9,817	9,561	9,786	10,323	11,151	10,952	1.9%

Data source: NBSC

INDUSTRY OVERVIEW

MAIN GROWTH DRIVERS OF THE PRC REAL ESTATE MARKET

Economic improvements. The consumption level and quality of life of urban residents have improved substantially in recent years. The per capita disposable income of urban residents in China increased from RMB26,467 in 2013 to RMB42,359 in 2019, representing a CAGR of 8.2%. The increase in purchasing power is expected to further drive consumption upgrade.

Rapid urbanization. At the end of 2019, mainland China had a total population of 1,400 million, including 848 million permanent urban residents, accounting for 60.6% of the total population. China’s rapid urbanization process, accompanied by a strong and steady urban population growth, played an important role in promoting the demand for residential property.

The following table sets forth some economic indicators of the PRC for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Per capita disposable income of residents (RMB)	18,311	20,167	21,966	23,821	25,974	28,228	30,733	9.0%
Per capita disposable income of urban residents (RMB)	26,467	28,844	31,195	33,616	36,396	39,251	42,359	8.2%
Urban population (million) .	731	749	771	793	813	831	848	2.5%
Urbanization rate (%).....	53.7	54.8	56.1	57.3	58.5	59.6	60.6	57.2%*

Data source: NBSC

* Arithmetic average mean from 2013 to 2019

RECENT DEVELOPMENT OF THE PRC REAL ESTATE POLICIES

In the past decade, the PRC real estate market has been subject to extensive government policies and regulations. In 2017, the government continued to promote financial deleveraging and some major metropolitan cities implemented restrictions on the flow of “consumer loan” funds, strictly preventing the illegal flow of funds into the real estate market. In 2018, the central government reaffirmed the four restrictions (purchase restriction, sale restriction, price restriction and loan restriction), ordered stricter market regulations and announced an increase of housing loan interest rate. In 2019, the central government reiterated the policy keynote of “housing without speculation” and implemented the mechanism of “one city, one policy” to encourage a long-term healthy development of the real estate sector.

Local governments in many cities have partially loosened the “four restrictions” to encourage talents to buy house, some measures were still put in place to prevent real estate property prices from rising too fast. In recent years, Shanghai, Tianjin and Nanjing have loosened restrictions on purchase; Changsha, Jiangmen, Sanya have lowered the threshold of talent purchase. Hohhot and Ningbo announced incentive policies such as subsidies for talent purchase. The above policies mainly aim to moderately curb over-investment and to promote the development of the rental market. The specific measures relating to the long-term mechanism of real estate regulation and control have been put in place to stabilize housing prices and ease people’s financial burden to buy real estate properties. For further details, please refer to the section headed “Regulatory Overview.”

COMPETITIVE LANDSCAPE

At present, the time of sales volume dominant for real estate enterprises has gone. Enterprises have gradually changed their developing emphasis of “increasing volume” to “improving quality.” Enterprises cannot simply rely on the increase of supply quantity to realize the growth of sales volume; the fierce industry competition in the future will put forward higher requirements for the organization, management and operation of real estate enterprises. Urban layout, brand effect, project quality and product strength building will be the important components of the future core competitiveness of real estate enterprises. In such a competitive environment, we are adapting ourselves to the current competition situation with moderately advanced products, excellent operation efficiency and professional management team, instead of remaining a large-scale repetitive real estate enterprise.

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In recent years, real estate industry in China has witnessed an increase in project cooperation and cooperative development among property developers, which has become an industry norm. Among these joint venture projects, there are more cases that a property developer with minority equity interests in a project owns controlling rights. Such cooperation model requires property developers with minority equity interests to have strong management systems, financial health and brand name. This model leverages a mature management system to fulfil property developers’ aspiration on increasing sales and earning scale. Among the Top 100 property developers, Vanke was the first to try such cooperation model, followed by Landsea, CIFI, Sichuan Languang and Binjiang, among others.

OUR MARKET POSITION

Based on the concept of “deepening our presence in the Yangtze River Delta Economic Region and further expanding in the Pearl River Delta Economic Zone and the Mid-China Core Economic Region,” our business operation has been carried out in eight provinces and municipalities including Shanghai, Zhejiang, Jiangsu, Hubei, Anhui, Guangdong, Jiangxi and Henan. The State Council proposed that the country will further accelerate the pace of urban agglomeration construction during the 13th Five-Year Plan period. Among them, the urban agglomeration in the Yangtze River Delta Economic Region will be built into a world-class urban agglomeration. Currently, the urban agglomeration in the Yangtze River Delta Economic Region is one of the most mature urban agglomerations in China, with the urbanization rate of the resident population reaching 72%, with close ties between cities and towns, and rapid process of regional integration. At the same time, the income level of residents has increased steadily, resulting in stronger purchasing power. The average disposable income of the core cities (first-tier cities and provincial capitals) in the Yangtze River Delta Economic Region urban agglomeration has reached RMB57,500/person, while the per capita disposable income of non-core urban residents has also reached RMB47,511/person, with a purchasing power far stronger than the national per capita disposable income of urban residents of RMB39,251/person. The demand for better housing will continue and the turnover and transaction price for the real estate market are expected to remain at a relatively high level.

We are engaged in the development of both residential and commercial real estate property projects. Our commercial property projects are mainly located in Shanghai. In 2019, the aggregate GFA available for rent of shopping centers in Shanghai reached 25.3 million sq.m., of which approximately 19% was in the core area and 81% was in the non-core business area. Rent for the first floor of the shopping centers in the core area was down by 3.2% to RMB1,674/sq.m./month from the same period in 2018, while the same in the non-core area rose by 3% to RMB572/sq.m./month from the same period in 2018. By 2022, land supply for Shanghai’s retail market is expected to increase to 2.4 million sq.m., of which non-core business area is expected to account for more than 70%. Non-core business and small-or medium-sized commercial property will continue to be a major driver for land supply in Shanghai in the future.

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). According to E-house, “Top 20 Real Estate Developers in Shanghai” was selected from the 36 real estate 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. Among such real estate developers, we were ranked 17th in the “Top 20 Real Estate Developers in Shanghai” in 2019 based on a comprehensive evaluation with reference to a variety of factors and indexes.

Compared with the other 35 candidates, as our business were still in the early stage of development, we had a relatively lower average selling prices and a relatively smaller scale of operation in the national market and therefore were ranked lower in terms of current operation indexes. However, benefiting from our significant increased revenue and gross profit mainly brought by the Shanghai • Flourish projects and Shanghai • Sunkwan Cifi Villas projects, we stood out from other candidates by our robust growth and future potential. In addition, the “Top 20 Real Estate Developers in Shanghai” also values our social responsibly and innovation ability as a real estate developer, including our abilities to manage human resources, product innovation, social responsibilities, etc., which we all demonstrated a strong performance as compared to other candidates. Based on the foregoing, considering our rapid growth and other comprehensive capability, we were selected into the “Top 20 Real Estate Developers in Shanghai” in 2019.

INDUSTRY OVERVIEW

In the cities where our projects are located, our market share in both Cixi and Shangrao amounted to approximately 5% and ranked fifth and seventh in 2019, respectively. The following table sets out our respective market shares and the largest property developer by contracted sales in each of the selected cities in China in 2019:

City	Our Group			Largest Property Developer		
	Contracted Sales	Market Share	Ranking by Market Share	Company	Contracted Sales	Market Share
	(RMB billion)	(%)			(RMB billion)	(%)
Shanghai	3.4	0.8	42	Company A	24.7	6.1
Cixi	2.8	5.9	5	Company B	6.9	14.3
Hangzhou	2.8	0.8	37	Company C	17.8	4.9
Suzhou	1.0	0.5	65	Company B	9.3	4.2
Dongguan	0.7	0.6	33	Company A	17.4	14.0
Shangrao	0.5	4.7	7	Company D	0.8	8.4
Changzhou	0.4	0.4	32	Company E	15.2	14.4
Hefei	0.3	0.2	79	Company F	8.7	6.7
Wenzhou	0.2	0.2	84	Company G	7.9	5.4
Changshu	0.2	0.6	36	Company H	3.9	12.3

Data source: CRIC

The table below sets forth relevant background information regarding comparable companies as mentioned in the table above:

Company A	Company A was established in 1984. The Group focuses on the three most vibrant economic circles nationwide and key cities in mid-west China. The Group first appeared in the Fortune Global 500 list in 2016.
Company B	Company B was established in 1992, forming the current industrial distribution which features “highlight on the real estate, integrated development of relevant industries including business, finance and metro” through a two-pronged development method of industrial management and capital management and ranking the 268th place in 2014 Fortune Global 500, the 40th place of the Chinese mainland enterprises on the list.
Company C	Company C was established in 1992. It is a regional real estate enterprise with development projects mainly in Zhejiang Province.
Company D	Company D was established in 1996. It is on the Fortune Global 500 list and is based in real estate, supported by cultural tourism and health maintenance services, and it is led by new energy vehicles. Real estate business is taking the lead nationwide in the aspects of its development scale.
Company E	Company E was founded in 1993. It has insisted on the long-term strategic model driven by residential and commercial real estate, gradually completed the further development in central cities and key city clusters, engaged in real estate development, investment, commercial operation and management, health and other fields and achieved product synergy and in-depth strategic development.
Company F	Company F was founded in 2003. The Company has been committed to providing a better life by integrating high-end residential, cultural tourism, culture, commercial facilities and other resources through high-quality and diversified products or services.

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Company G	Company G is a large-scale comprehensive real estate developers. It is rooted in the Yangtze River Delta Economic Region. It focuses on the residential property and it continues to develop commercial and industrial properties.
Company H	Company H ranks among “The World’s 500 Largest Public Companies” by Forbes. It is a real estate developer, operator of residential communities, and it also constructs and operates green, ecological and smart cities.

REAL ESTATE MARKET OF SELECTED CITIES IN THE PRC

1. Shanghai

Shanghai is one of the four municipalities under the direct administration of central government and it is the economic and finance center of the Yangtze River Delta Economic Region. In 2019, the nominal GDP of Shanghai reached RMB3,816 billion, representing a CAGR of 9.4% from 2013 to 2019. Shanghai’s fixed asset investment increased from RMB565 billion in 2013 to RMB801 billion in 2019, and its per capita disposable income of urban residents increased from RMB43,851 in 2013 to RMB73,615 in 2019, representing a CAGR of 6.0% and 9.0%, respectively. The following table sets forth selected economic indicators of Shanghai for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	2,226	2,407	2,566	2,818	3,063	3,268	3,816	9.4%
Fixed assets investment (RMB billion)	565	601	635	675	725	762	801	6.0%
Urban population of the whole city’s resident population (million)	21.6	21.7	21.2	21.2	21.2	21.4	—	—
Urbanization rate of resident population (%)	89.3	87.6	87.6	87.6	87.6	88.4	—	—
Per capita disposable personal income (DPI) of urban residents (RMB)	43,851	47,710	52,962	57,692	62,596	68,034	73,615	9.0%

Data source: Statistics Bureau of Shanghai

The ASP of residential property in Shanghai increased from RMB24,055/sq.m. in 2013 to RMB54,611/sq.m. in 2019, representing a CAGR of 14.6%. The ASP of commercial property increased from RMB20,481/sq.m. in 2013 to RMB37,100/sq.m. in 2019, representing a CAGR of 10.4%. The following table sets forth selected indicators of the Shanghai real estate market for the years indicated:

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
GFA of sold residential property (million sq.m.)	12.1	9.2	14.5	13.4	6.2	6.4	7.5	-7.6%
ASP of residential property (RMB/sq.m.)	24,055	26,855	31,989	38,269	47,803	53,429	54,611	14.6%
— ASP of low- and high-rise apartment buildings in Shanghai (RMB/sq.m.)	23,328	26,209	31,596	38,987	48,569	54,172	54,744	15.3%
— ASP of low- and high-rise apartment buildings in Songjiang District (RMB/sq.m.)	18,229	20,381	22,478	28,415	38,840	40,315	42,317	15.1%
— ASP of houses and townhouses in Shanghai (RMB/sq.m.)	28,781	30,642	33,981	35,855	45,313	49,449	53,978	11.1%

INDUSTRY OVERVIEW

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
— ASP of houses and townhouses in Songjiang District (RMB/sq.m.)	26,653	26,635	28,966	38,098	45,272	47,929	50,191	11.1%
GFA of sold commercial property (million sq.m.)	1.7	1.3	1.4	2.2	1.2	1.3	1.0	-8.7%
ASP of commercial property (RMB/sq.m.)	20,481	21,117	22,436	23,094	27,408	29,998	37,100	10.4%
GFA of office property sold (million sq.m.)	2.4	1.7	3.0	4.5	1.3	1.6	1.2	-11.3%
ASP of office property (RMB/sq.m.)	22,531	26,190	30,621	30,297	35,649	37,115	40,636	10.3%

Data source: CRIC

2. Hangzhou

Hangzhou is ranked second in the provincial capital cities in China in terms of total economic output, and its comprehensive economic strength is among the top ten cities in mainland China. From 2013 to 2019, Hangzhou maintained a strong and stable nominal GDP growth, increasing from RMB834 billion to RMB1,537 billion, representing a CAGR of 10.7%. In 2019, Hangzhou’s fixed asset investment reached RMB724 billion, which ranked first in Zhejiang province. At the end of 2019, Hangzhou had an urban population of 8.1 million with an urbanization rate of 78.5%, far higher than the national average of 60.6%. The per capita disposable income of its urban residents increased from RMB39,310 in 2013 to RMB66,068 in 2019, representing a CAGR of 9.0%. The following table sets forth selected economic indicators of Hangzhou for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	834	921	1,005	1,131	1,256	1,431	1,537	10.7%
Fixed assets investment (RMB billion)	426	495	556	584	586	649	724	9.2%
Urban population of the whole city’s resident population (million)	6.6	6.7	6.8	7.0	7.3	7.6	8.1	3.5%
Urbanization rate of resident population (%)	74.9	75.1	75.3	76.2	76.8	77.4	78.5	—
Per capita disposable personal income (DPI) of urban residents (RMB)	39,310	44,632	48,316	52,185	56,276	61,172	66,068	9.0%

Data source: Statistics Bureau of Hangzhou

In 2019, the GFA of the sold residential properties in Hangzhou was 13.2 million sq.m., representing a CAGR of 7.3% from 2013 to 2019. The GFA of the sold commercial property and office property increased at a CAGR of 15.1% and 8.2% from 2013 to 2019, respectively. The following table sets forth the selected indicators of Hangzhou real estate market for the years indicated:

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
GFA of sold residential property (million sq.m.)	8.7	8.9	12.9	20.1	16.2	13.6	13.2	7.3%
ASP of residential property (RMB/sq.m.)	16,662	15,482	15,876	16,688	22,330	26,281	27,671	8.8%
GFA of sold commercial property (million sq.m.)	0.3	0.4	0.4	0.9	1.3	1.1	0.8	15.1%

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Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
ASP of commercial property (RMB/sq.m.)	21,808	18,165	19,696	20,061	22,759	26,803	26,188	3.1%
GFA of office property sold (million sq.m.)	0.4	0.4	0.5	0.9	1.2	0.9	0.6	8.2%
ASP of office property (RMB/sq.m.)	20,779	19,165	15,855	15,267	17,780	21,720	23,202	1.9%

Data source: CRIC

3. Ningbo

Ningbo is the one of the economic centers of Zhejiang province and also one of the top 15 cities in terms of comprehensive competitiveness in mainland China. In 2019, the nominal GDP reached RMB1,199 billion, representing a CAGR of 9.0% from 2013 to 2019. In 2019, Ningbo’s fixed asset investment reached RMB561 billion, representing a CAGR of 8.6% from 2013 to 2019. At the end of 2019, Ningbo had an urban population of 6.3 million with an urbanization rate of 73.6%. The following table sets forth selected economic indicators of Ningbo for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	713	761	800	869	984	1,075	1,199	9.0%
Fixed assets investment (RMB billion)	342	399	451	496	501	519	561	8.6%
Urban population of the whole city’s resident population (million)	5.3	5.4	5.6	5.7	5.8	6.0	6.3	2.9%
Urbanization rate of resident population (%)	69.8	69.3	71.1	71.9	72.4	72.9	73.6	—
Per capita disposable personal income (DPI) of urban residents (RMB)	41,729	44,155	47,852	51,560	55,656	60,134	64,886	7.6%

Data source: Statistics Bureau of Ningbo

The real estate market in Ningbo has been growing steadily. In 2019, the GFA of the sold residential property was 14.2 million sq.m., representing a CAGR of 24.2% from 2013 to 2019. In 2019, the ASP of residential property has increased from RMB13,384/sq.m. in 2013 to RMB17,219/sq.m. in 2019, representing a CAGR of 4.3%. The GFA of the sold commercial property is from 0.3 million sq.m. in 2013 to 0.6 million sq.m. in 2019, with a CAGR of 15.6%. The following table sets forth selected indicators of Ningbo real estate market for the years indicated:

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
GFA of sold residential property (million sq.m.)	3.9	4.6	6.4	9.8	10.8	12.4	14.2	24.2%
ASP of residential property (RMB/sq.m.)	13,384	12,395	12,475	12,878	15,672	16,777	17,219	4.3%
GFA of sold commercial property (million sq.m.)	0.3	0.3	0.4	0.8	0.7	0.8	0.6	15.6%
ASP of commercial property (RMB/sq.m.)	16,311	17,815	17,659	21,452	18,170	18,325	21,592	4.8%
GFA of office property sold (million sq.m.)	0.2	0.2	0.3	0.5	0.3	0.5	0.2	2.4%
ASP of office property (RMB/sq.m.)	9,200	10,880	11,447	10,890	11,794	11,825	14,392	7.7%

Data source: CRIC

INDUSTRY OVERVIEW

4. Suzhou

Suzhou is one of the most competitive cities in Jiangsu province. Its nominal GDP has increased from RMB1,302 billion in 2013 to RMB1,924 billion in 2019, representing a CAGR of 6.7%. At the end of 2019, Suzhou had an urban population of 8.3 million, with an urbanization rate of 77%. In 2019, the per capita disposable income of urban residents increased from RMB41,143 in 2013 to RMB68,629 in 2019, representing a CAGR of 8.9%. The following table sets forth selected economic indicators of Suzhou for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	1,302	1,376	1,450	1,540	1,732	1,860	1,924	6.7%
Fixed assets investment (RMB billion)	600	623	612	565	563	456	493	-3.2%
Urban population of the whole city’s resident population (million)	7.7	7.8	7.9	8.0	8.1	8.2	8.3	1.2%
Urbanization rate of resident population (%)	73.2	74.0	74.9	75.5	75.8	76.1	77.0	—
Per capita disposable personal income (DPI) of urban residents (RMB)	41,143	46,677	50,390	54,341	58,806	63,481	68,629	8.9%

Data source: Statistics Bureau of Suzhou

Suzhou’s real estate market grew steadily in recent years. The GFA of the sold residential property has increased from 7.6 million sq.m. in 2013 to 10.4 million sq.m. in 2019, representing a CAGR of 5.3%. In 2019, the ASP of residential property increased at a CAGR of 11.2% from 2013 to 2019. The GFA of the sold commercial property was 0.7 million sq.m. in 2019. The following table sets forth selected indicators of Suzhou real estate market for the years indicated:

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
GFA of sold residential property (million sq.m.)	7.6	7.6	11.7	12.7	8.8	8.5	10.4	5.3%
ASP of residential property (RMB/sq.m.)	11,605	12,112	13,160	17,353	18,628	20,116	21,927	11.2%
— ASP of low- and high-rise apartment buildings (RMB/sq.m.)	10,801	11,151	12,193	16,692	18,387	19,833	21,615	12.3%
GFA of sold commercial property (million sq.m.)	0.7	0.6	0.7	0.8	0.5	0.5	0.7	-0.6%
ASP of commercial property (RMB/sq.m.)	20,653	22,949	22,509	22,678	22,625	23,536	22,358	1.3%
GFA of office property sold (million sq.m.)	0.2	0.2	0.2	0.3	0.3	0.2	0.3	10.7%
ASP of office property (RMB/sq.m.)	16,399	14,672	13,540	13,009	12,996	14,543	18,516	2.0%

Data source: CRIC

INDUSTRY OVERVIEW

5. Changzhou

Changzhou is one of the important central cities in the Yangtze River Delta Economic Region and the core city of the Suzhou-Wuxi-Changzhou metropolitan area. Changzhou’s nominal GDP increased from RMB453 billion in 2013 to RMB740 billion in 2019, representing a CAGR of 8.5%. At the end of 2019, Changzhou had an urban population of 3.5 million with an urbanization rate of 73.3%. In terms of living standards, Changzhou’s per capita disposable income of urban residents increased from RMB36,946 in 2013 to RMB58,345 in 2019, representing a CAGR of 7.9%. The following table sets forth selected economic indicators of Changzhou for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	453	499	537	588	662	705	740	8.5%
Fixed assets investment (RMB billion)	285	331	340	361	390	419	442	7.6%
Urban population of the whole city’s resident population (million)	3.2	3.2	3.3	3.3	3.4	3.4	3.5	1.4%
Urbanization rate of resident population (%)	67.5	68.7	71	71	71.8	72.5	73.3	—
Per capita disposable personal income (DPI) of urban residents (RMB)	36,946	39,483	42,710	46,058	49,955	54,000	58,345	7.9%

Data source: Statistics Bureau of Changzhou

In 2019, the GFA of Changzhou’s sold residential properties was 6.9 million sq.m., representing a CAGR of 3.7% from 2013 to 2019. The ASP of residential property increased from RMB7,287/sq.m. in 2013 to RMB15,269/sq.m. in 2019, representing a CAGR of 13.1%. The following table sets forth selected indicators of Changzhou real estate market for the years indicated:

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
GFA of sold residential property (million sq.m.)	5.5	5.8	6.2	7.9	7.1	6.2	6.9	3.7%
ASP of residential property (RMB/sq.m.)	7,287	6,698	6,741	7,534	10,638	13,415	15,269	13.1%
GFA of sold commercial property (million sq.m.)	0.4	0.6	0.6	0.7	0.6	0.5	0.6	6.1%
ASP of commercial property (RMB/sq.m.)	12,956	10,676	10,673	10,530	11,438	12,491	12,170	-1.0%
GFA of office property sold (million sq.m.)	0.2	0.3	0.3	0.5	0.4	0.3	0.4	11.1%
ASP of office property (RMB/sq.m.)	7,503	7,295	7,474	6,218	7,300	8,423	8,374	1.8%

Data source: CRIC

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6. Foshan

Foshan is the third largest city in Guangdong province and an advanced manufacturing base in China. Foshan’s nominal GDP increased from RMB701 billion in 2013 to RMB1,075 billion in 2019, representing a CAGR of 7.4%. At the end of 2019, Foshan had an urban population of 7.8 million with an urbanization rate of 95.0%. The per capita disposable income of its urban residents increased from RMB38,038 in 2013 to RMB55,233 in 2019, representing a CAGR of 6.4%. The following table sets forth selected economic indicators of Foshan for the years indicated:

Economic indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Nominal GDP (RMB billion)	701	744	800	863	955	994	1,075	7.4%
Fixed assets investment (RMB billion)	238	261	304	351	427	450	—	—
Urban population of the whole city’s resident population (million)	—	7.0	7.1	7.1	7.3	7.5	7.8	—
Urbanization rate of resident population (%)	—	94.9	94.9	95.0	95.0	95.0	95.0	—
Per capita disposable personal income (DPI) of urban residents (RMB)	38,038	36,555	39,757	43,120	46,849	50,737	55,233	6.4%

Data source: Statistics Bureau of Foshan

The GFA of sold residential property in Foshan increased from 8.3 million sq.m. in 2013 to 13.7 million sq.m. in 2019, representing a CAGR of 8.7%. The ASP of residential property grew at a CAGR of 8.4% from 2013 to 2019. The following table sets forth selected indicators of Foshan real estate market for the years indicated:

Real estate indicators	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
GFA of sold residential property (million sq.m.)	8.3	10.1	13.9	18.8	11.4	13.4	13.7	8.7%
ASP of residential property (RMB/sq.m.)	8,936	8,545	8,786	9,886	10,600	11,820	14,524	8.4%
GFA of sold commercial property (million sq.m.)	0.4	0.4	0.4	0.7	1.1	0.9	0.7	11.0%
ASP of commercial property (RMB/sq.m.)	21,698	17,238	19,925	17,283	19,339	16,910	19,876	-1.5%
GFA of office property sold (million sq.m.)	0.5	0.5	0.3	0.4	0.9	0.6	0.4	-5.2%
ASP of office property (RMB/sq.m.)	10,910	9,834	10,715	10,302	11,311	12,429	12,087	1.7%

Data source: CRIC

COVID-19 PANDEMIC IMPACT ON THE ECONOMY AND THE PROPERTY MARKET OF THE PRC

China has seen its economy steadily recovering, as well as the resumption of work, production and market month by month since the outbreak of the COVID-19 pandemic. At the Meeting of the Political Bureau on July 30, 2020, it was stressed to “accelerate the formation of a new development pattern with the domestic cycle as the main focus and the domestic and international cycles promoting each other.” On this note, greater efforts should be made to expand domestic demand, develop new infrastructure, new urbanization, boost demand and improve people’s wellbeing. Moreover, endeavors should be extended to enhance the stability and competitiveness of the industrial chain supply chain, advance structural adjustment and deepen reform and opening up. As a cornerstone of China’s economy, real estate economy plays an important and obvious role during the COVID-19 pandemic.

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Judging from the cycle of the real estate industry, a round of price adjustment started in the second half of 2018. After the introduction of the new financial regulations in May 2019, the real estate market became more and more inactive. The COVID-19 outbreak in January 2020 and the market continued to go downward until March 2020 to complete the last step of adjustment for such round. In the second quarter of 2020, China’s real estate market entered a completely new stage. The nearly two-year adjustment cycle since the second half of 2018 ended and the market will enter a relatively stable new cycle in the future. There will be neither a substantial increase in volume of real estate transactions nor a substantial increase in price of real estate properties.

ANTICIPATED GROWTH IN SALES AREA AND ASP OF REAL ESTATE PROPERTIES OF SELECTED CITIES IN THE PRC

The anticipated growth in sales area and ASP of selected cities where we operate in the next three to five years is set out below, taking into account, among others, future demand of real estate properties in China, China’s future urbanization rate and urban purchasing power.

1. Shanghai

Shanghai is still highly affected by the tightening of regulatory policies. The turnover of commercial housing is still at a low level. At the same time, the supply of land has increased significantly compared with previous years. As a result, the land digestion cycle has been extended to 2.72 years, but it is still at a relatively low level and the competition for land auction is fierce. Moreover, the increase in land price in Shanghai is weaker than that in housing price, which has a large profit margin. The sales cycle of commercial housing is 12 to 18 months, and the digestion period is healthy. The turnover of commercial housing rose 7.4% year-on-year in 2019. Even if affected by the pandemic situation in the first half of 2020, the turnover of commercial housing is expected to fall by approximately 6% year-on-year. Medium- and long-term sales area remains stable, and ASP will be stable or increase slightly.

2. Hangzhou

Hangzhou has benefited from the development of the internet industry. Its population is growing rapidly. In 2019, the increase in resident population ranked first in the country, reaching 550,000. In addition, Hangzhou has a large number of high-income people with strong purchasing power. The digestion cycle of homestead supply is 5.5 months, and the land supply is moderate. In the first half of 2020, both the land price and housing price rose, and the price difference between housing price and land price was large, both with large profit margin. The digestion cycle of commercial housing is less than six months. The shorter the digestion cycle, the more support for increase in the price and demand of real estate properties. It is expected that the future sales area and ASP will increase gradually.

3. Ningbo

Ningbo has many high-tech industries, continuously attracting excellent enterprises and talents. In 2019, Ningbo’s resident population increased by 340,000, ranking fourth in the country. Under the influx of population, Ningbo real estate is booming, with the turnover of residential property having increased for the fourth consecutive year. In 2019, the sales area of residential property reached 14.29 million square meters, up approximately 15% year-on-year. The development of the land market is healthy, the digestion cycle of homestead supply is 6.6 months, and the land supply is moderate. However, the rate of land price increase is faster, while the rate of housing price increase is weakening and the profit margin is compressed. In July 2020, when the real estate market was relatively competitive, Ningbo’s regulation and control was tightened, and the policy scope expanded to cover the real estate market as well as land market, involving many aspects such as purchase restriction and strict control of land prices. It is expected that the future sales area and ASP will be stable.

4. Suzhou

Suzhou is a satellite city and one of the core second-tier cities. The digestion cycle of residential land supply is 12.9 months. The land market is short of land supply and the long-term housing price support is strong. Moreover, the price difference between housing prices and land is large, and the advantage of profit margin difference is significant. The sales

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cycle of commercial housing is six to 12 months, and the stock of real estate market is healthy. At the same time, Suzhou has further lowered the threshold for settling down, which attracted talents and expanded demand for real estate properties. The medium- and long-term sales area and ASP is expected to remain stable.

5. Changzhou

Benefited from the integration of the Yangtze River Delta Economic Region, the industrial and economic levels are relatively high and the comprehensive strength of the city is increased significantly in recent years. The sales cycle of commercial housing is six to 12 months, and the stock of real estate market is healthy. Changzhou’s real estate market performed well in the second quarter of 2020, with turnover exceeding that of the same period last year, and the market became more resilient. Due to the strong purchasing power of Changzhou’s own residents and the favorable spillover demand from the surrounding core first- and second-tier cities, the real estate market is obviously ahead of most of the third- and fourth-tier cities. Medium- and long-term sales area and ASP is expected to rise slightly.

6. Foshan

Foshan has a developed industry, the resident population has increased by 160,000 in 2019, the digestion cycle of residential land supply is 10.8 months, and the sales cycle of commercial housing is 12 to 18 months. The digestion cycle is relatively healthy. Owing to the favorable situation of the Guangdong-Hong Kong-Macao Greater Bay Area, commodity transaction amount in 2019 reached RMB201.6 billion in Foshan, which was the highest among the third- and fourth-tier cities. However, considering the purchase limitation on property in Foshan, it is predicted that the future sales area and ASP will be stable.

HISTORICAL PRICE TREND OF CONSTRUCTION MATERIALS AND LAND COST

Construction Materials

The cost of building materials is an important factor for real estate developers and steel and cement constitute a major part of the cost of construction materials. The prices of steel and cement have recovered slightly since 2016 and increased significantly in 2017. In 2018, the prices of steel and cement continued to rise, with a year-on-year increase of 7.9% and 10.5% respectively. The annual fluctuation of raw materials is large, but in terms of composite growth rate, the prices of raw materials have remained relatively stable from 2012 to 2018.

Land Cost

Land price is a crucial factor for real estate development and it is heavily influenced by land supply and government directives. The growth rate of purchased land area in China has been cooling down sign at -11.4% in 2019, respectively. The land transaction price grew at a CAGR of 6.8% from 2013 to 2019, reaching RMB1,417 billion in 2019. The following table sets forth some industry indices relating to the PRC real estate market for the years indicated:

Industry index	2013	2014	2015	2016	2017	2018	2019	2013-2019 CAGR
Purchased land area (10000 sq.m.)	38,814	33,383	22,811	22,025	25,508	29,142	25,822	-6.6%
Growth rate of purchased land area (%)	8.8%	-14.0%	-31.7%	-3.4%	15.8%	14.2%	-11.4%	—
Land transaction price (RMB billion)	992	1,002	762	913	1,364	1,610	1,471	6.8%
Land transaction price growth (%)	33.9%	1.0%	-23.9%	19.8%	49.4%	18.0%	-8.7%	—

Data source: NBSC

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Set below is the summary of the PRC laws and regulations in relation to the business and operation of our Company, including the establishment of real estate development enterprises, acquisition of land use rights, property development, sales/pre-sales of commodity buildings, and environment protection, etc.

ESTABLISHMENT OF REAL ESTATE DEVELOPMENT ENTERPRISES

General provisions

In accordance with the Law of the People’s Republic of China on the 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 on July 5, 1994, amended on August 30, 2007, August 27, 2009 and August 26, 2019), real estate development enterprises are defined as the enterprises that engage in real estate development and operation for the purpose of seeking profits. In accordance with the Regulations on Administration of Development and Operation of Urban Real Estate (《城市房地產開發經營管理條例》) (the “**Development Regulations**”) (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011 and amended on March 19, 2018 and March 24, 2019), the establishment of a real estate development enterprise shall, in addition to the conditions for the enterprise establishment prescribed by relevant laws and administrative regulations, fulfill the following conditions: (i) The registered capital shall be RMB1 million or above; (ii) The enterprise shall employ no less than 4 full-time technical personnel with certificates of qualifications of real estate specialty and construction engineering specialty and no less than 2 full-time accountants with certificates of qualifications.

Foreign investment in real estate development

Under the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “**Catalog**”) (promulgated by Ministry of Commerce of the People’s Republic of China (the “**MOFCOM**”) and National Development and Reform Commission (the “**NDRC**”) on March 10, 2015 and became effective on April 10, 2015, the construction of large-scale theme park falls within the category of industries in which foreign investment is permitted. Pursuant to the amended Catalog which was amended on June 28, 2017 and became effective on July 28, 2017 and the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the “**Negative List**”) which was promulgated on June 30, 2019, and implemented on July 30, 2019, the real estate development does not fall within the Negative List and the restrictive measures for construction of golf courses and villas are equally to domestic and foreign investment.

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On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the People’s Bank of China (the “**PBOC**”), the State Administration for Industry and Commerce (the “**SAIC**”) and the State Administration of Foreign Exchange (the “**SAFE**”) jointly issued the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) (effective on July 11, 2006) which provides that: (i) foreign organizations and individuals who have established foreign-invested enterprises are allowed to invest in and purchase non-owner-occupied real estate in China; while branches of foreign organizations established in China are eligible to purchase commercial houses which match their actual needs for self-use under their names; (ii) the registered capital of foreign-invested real estate enterprises with the total investment amount exceeding or equal to US\$10 million shall be no less than 50% of their total investment; (iii) foreign-invested real estate enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only after they have paid back all the land premium and obtained the state-owned land use rights certificate; (iv) with respect to equity transfer and project transfer of a foreign-invested real estate enterprise and the merger and acquisition of a domestic real estate enterprise by an overseas investor, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant laws, regulations, and policies. The investor concerned shall submit a letter of guarantee on its promise to perform the State Land Use Right Grant Contract (《國有土地使用權出讓合同》), the Planning Permit on Land for Construction Use (《建設用地規劃許可證》), the Planning Permit on Construction Projects (《建設工程規劃許可證》) etc., and shall submit the Certificate for the Use of State-owned Land (《國有土地使用證》), the documents certifying that the change of registration has been filed with the relevant department in charge of construction (real estate) for record, and the certification materials issued by the relevant taxation authority on the tax payment in relevance; (v) foreign investors shall pay off all considerations for the transfer in a lump sum with their own funds if they acquire Chinese real estate enterprises or any equity interest held by Chinese parties in Sino-foreign Equity joint venture engaged in real estate industry.

On August 19, 2015, Ministry of Housing and Urban-Rural Development (the “**MOHURD**”), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly promulgated the Circular on Amending the Policies Concerning Access and Administration of Foreign Investment in the Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》) (the “**Circular**”), which amended certain policies on foreign-invested real estate enterprises and property purchased by overseas organizations and individuals as stated in the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) as follows. The requirements for the registered capital of foreign-invested real estate enterprises shall follow the provisions in the Provisional Regulations of the SAIC on the Ratio between the Registered Capital and Total Investment of Sino-foreign Equity Joint Ventures (《關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) promulgated and became effective on February 17, 1987: where the total amount of investment of a Sino-foreign equity joint venture is from USD10 million to USD30 million (including USD30 million), the registered capital shall be at least 2/5 of the total amount of investment; thereinto, where the total amount of investment is less than USD12.5

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million, the registered capital shall be no less than USD5 million; where the total amount of investment of a Sino-foreign equity joint venture is more than USD30 million, the registered capital shall be at least 1/3 of the total amount of investment; thereinto, where the total amount of investment is less than USD36 million, the registered capital shall be no less than USD12 million. Furthermore, the requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for domestic or foreign loans or foreign exchange loan settlement is canceled.

QUALIFICATIONS OF REAL ESTATE DEVELOPERS

In accordance with the Development Regulations, a real estate development enterprise shall, within 30 days starting from the date of obtainment of the business license, file the relevant documents with the competent bureau of real estate development where registration authority is located. The competent bureau of real estate development shall, on the basis of the assets, specialized technical personnel and development and management achievements, verify the class of qualification of the real estate development enterprise in question. The real estate development enterprise shall undertake real estate development projects in compliance with the verified class of qualification. Relevant detailed rules shall be formulated by the department of the construction administrative of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (《房地產開發企業資質管理規定》) (the “**Circular 77**”) which was promulgated on March 29, 2000 and amended on May 4, 2015, an enterprise engaged in real estate development shall be approved in accordance with the provisions of application for the enterprise qualification classification. Enterprises that fail to obtain certificates of real estate investments shall not engage in the real estate development business. Enterprises engaged in real estate development are classified into four qualification classes: Class I, Class II, Class III and Class IV on the basis of their experience of real estate development business, construction quality, the professional personnel and quality control system etc. There is no limitation on the construction scale for an enterprise who holds a Class I qualification and the gross floor area of each project developed by an enterprise who holds a Class II or lower qualification shall not exceed 250,000 sq.m. For a newly established real estate developer, after it reports its establishment to the real estate development authority, the latter shall issue the Provisional Qualification Certificate (《暫定資質證書》) to the eligible developer within 30 days.

Pursuant to the Circular 77, enterprises of various qualification classes shall engage in real estate development and management projects within the approved scope of business and shall not undertake any tasks by passing their own qualification classes.

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LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. Where land in rural areas and suburban areas legally owned by the State, the State holds ownership rights. The State has the right to resume its ownership of land or the land use rights in accordance with laws for the reasons of public interest. In that event, compensation shall be paid by the State.

Although all land in the PRC is either state-owned or collectively-owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important ways are land grants from local land authorities and land transferred from land users who have already obtained land use rights.

Land grants

On April 12, 1988, the National People’s Congress (the “NPC”) passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. On December 29, 1988, the Standing Committee of the NPC also amended the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法》) which was recently amended on August 26, 2019 and became effective on January 1, 2020, to permit the transfer of land use rights for value.

On May 19, 1990, the State Council enacted the Provisional Regulations of the People’s Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《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》). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value.

Upon paying in full the land premium pursuant to the terms of the contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Property Rights Law of the People’s Republic of China (《中華人民共和國物權法》), which was issued on March 16, 2007 and became effective on October 1, 2007, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-current relevant laws. In addition, if the State resumes the possession of land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of residential properties and other real estate on the land and the relevant land premium shall be refunded to them by the State.

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Ways of land grant

Pursuant to PRC laws and the stipulations of the State Council, except for land use rights which may be obtained through allocation, land use rights for property development are obtained through the grant from government. There are two ways by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

As of July 1, 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of Use Right of State-Owned Land by Tender, Auction or Listing-for-Bidding (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC on May 9, 2002 and revised as of September 28, 2007 with the Regulations on Granting State-Owned Construction Land Use Right through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the “**Land Grant Regulations**”) which became effective on November 1, 2007. The Land Grant Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, shall be granted by way of competitive processes. A number of measures are provided by the Land Grant Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

On May 13, 2011, the Ministry of Land and Resources promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing-for-Bidding (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which provides stipulations to improve policies on the supply of land through public tender, auction and listing-for-bidding, and strengthen the active role of land transfer policy in the control of the real estate market.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》) (the “**2003 Regulations**”) which became effective on August 1, 2003, to regulate granting of land use rights by agreement when there is only one applicant interested in the land and the designated uses of which are other than for commercial purposes as described above.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property 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告》), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

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) (《關於發佈實施<限制用地項目目錄(2012年本)>和<禁止用地項目目錄(2012年本)>的通知》) promulgated by the Ministry of Land and Resources and NDRC in May 2012, the

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granted area of the residential housing projects shall not exceed (i) 7 hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) 20 hectares for large cities and plot ratio which shall not be lower than 1.0.

Land transfer from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract with such land users.

For real estate development projects, the Urban Real Estate Law requires that at least 25% of total amount of investment or development must have been made or completed before assignment can take place. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee. Relevant local governments may acquire the land use rights from a land user in the event of a readjustment of the use of land for renovating the old urban area according to city planning. The land user will then be compensated for the loss of land use rights.

DEVELOPMENT OF REAL ESTATE PROJECTS

Commencement of real estate development projects

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the land use and within the construction period as prescribed in the grant contract.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which was promulgated on April 28, 1999 by the Ministry of Land and Resources and revised on June 1, 2012, land can be defined as idle land under any of the following circumstances:

- development and construction of the state-owned idle land is not commenced after one year of the prescribed time in the land use right grant contract or allocation decision; or
- the development and construction of the state-owned idle land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

Where the delay of commencement of development is caused by the government's behavior or due to the force majeure of natural disasters, the land administrative authorities shall discuss with the holder of state-owned construction land use rights and select the methods for disposal in accordance with the Measures on Disposal of Idle Land.

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The Notice on Strengthening the Disposing of Idle Land (《關於加大閒置土地處置力度的通知》) issued by the MLR on September 8, 2007 emphasized that the disposal of idle land shall be sped up. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium; the land regulatory authority shall reclaim the idle land without compensation as required by the relevant regulations. For land that becomes idle as a result of illegal approval, such land shall be reclaimed before the end of 2007.

Planning of real estate projects

Under the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (《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 on December 4, 1992 and amended on January 26, 2011, a real estate developer shall apply for a License for the Planning of Construction Land (《建設用地規劃許可證》) from the municipal planning authority. After obtaining the License for the Planning of Construction Land, the real estate developer shall conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》), which was issued on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, and a License for the Planning of Construction Projects (《建設工程規劃許可證》) from the municipal planning authority should be obtained by the real estate developer.

Construction Work Commencement Permit

The real estate developer shall apply for a Construction Work Commencement Permit (《建築工程施工許可證》) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and respectively amended on July 4, 2001 and further amended on June 25, 2014 and September 28, 2018 by MOHURD.

Acceptance and examination upon completion of real estate projects

Pursuant to the Development Regulations and the Administrative Measures for the Registration 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 on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of real estate development project, the real estate development enterprise shall submit an application to the competent department of real estate development of local government at or above the county level, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A real estate project shall not be delivered before passing the acceptance examination.

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The Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) was promulgated and implemented on January 30, 2000, and amended on October 7, 2017 and April 23, 2019. All construction projects in the PRC, including the establishment, expansion, improvement, demolition and other related activities, and the supervision and management of the quality of construction projects shall abide by such regulation. Under this regulation, construction projects shall include all civil engineering projects, construction works, installation of wires, pipes and equipment, and renovation works. All constructors, surveyors, designers, contractors and supervisors of the projects shall be responsible for the quality of the construction projects according to laws.

INSURANCE OF REAL ESTATE PROJECTS

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.

REAL ESTATE TRANSACTIONS

Sale of commodity properties

Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) (the “**Sale Measures**”) promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, the sale of commodity properties includes both sales prior to and after the completion of the properties.

Pre-sale of commodity properties

Any pre-sales of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sales of Commodity Properties (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004 (the “**Pre-sales Measures**”). The Pre-sales Measures provides that any pre-sales of commodity properties is subject to specified procedures. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sales permit. Pursuant to the Urban Real Estate Law and the Pre-sale Measures, the proceeds from the pre-sale of commodity properties shall be used to fund the development and construction of the corresponding projects. Besides, according to the Pre-sales Measures, the competent regulatory authority may impose a fine that equals to three times of illegal gains but less than RMB30,000 per project if a property developer fails to use the pre-sale proceeds as required.

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In accordance with the Pre-sales Measures, where commodity housing are pre-sold, the development enterprise shall sign a contract on the pre-sale of commodity housing with the purchaser. The development enterprise shall, within 30 days from signing the contract, handle the registration and record procedures for the contract on the pre-sale of commodity housing with the real property administrative department, and the land administrative department of the people’s government of the municipality or county.

Pursuant to the Law of the People’s Republic of China on the 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 on July 5, 1994 and amended on August 30, 2007, and August 26, 2019 and the Pre-sales Measures, the proceeds from the pre-sales of commercial properties shall be used for the development and construction of the corresponding projects.

Furthermore, under the Circular on Issues Concerning Further Strengthening the Supervision and the Supervision and Administration of the Real Estate Market and Improving the Pre-sale System of Commodity Properties (《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 Notice**”) issued by the MOHURD on April 13, 2010, all proceeds from the pre-sales of commodity properties shall be supervised and managed by relevant authorities so as to ensure that the proceeds are to be used for the development and construction of the corresponding projects. The proceeds for the pre-sales would be allocated according to the construction progress, provided that adequate funds have been reserved to ensure the completion and delivery of the projects.

Set out below are the implementation rules promulgated by the local real estate administrative authorities at the provincial or city level.

Shanghai

According to the Implementation Rules of the Measures regarding the Administration of Pre-sales of Urban Commodity Properties on Shanghai (《上海市實施城市商品房預售管理辦法細則》) promulgated by the Shanghai Real Estate and Land Administration Bureau on June 4, 1995 and became effective on the same day, the property developer shall sign pre-sales proceeds contract with bank registered in Shanghai which is defined as supervised bank before applying for pre-sales of urban commodity properties and commission the supervised bank to collect proceeds from pre-sales of commodity properties. And before the completion of the construction, the pre-sale proceeds shall be used for project construction and is restricted by the supervised bank. Property developers violating the abovementioned regulations shall be subject to administrative punishment and the relevant proceeds shall be confiscated by the Housing Administration of the relevant district and county.

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Shangrao

According to the Regulations for the Administration on Proceeds from Pre-sales of Urban Commodity Properties on Shangrao (《上饒市商品房預售資金監管辦法》) promulgated by the Shangrao Housing Authority and Shangrao Branch of China Banking Regulatory Commission, buyers shall directly deposit the proceeds of pre-sales of commodity properties into the supervised bank account according to the contracts. The pre-sale proceeds shall only be used with the amount approved by the local real estate supervision administration for the purpose of project construction. If property developers fail to directly deposit the proceeds into the supervised accounts or violate the regulations on the use of pre-sales proceeds, they shall be ordered to make rectification within a prescribed time. Furthermore, under the Notice on Further Strengthening the Management of the Pre-sale of Commodity Properties (《關於進一步加強商品房預售管理工作的通知》) issued by the Housing Administration Office of Shangrao on December 10, 2018, the pre-sales proceeds shall be supervised at a rate of the aggregate selling price that the developer filed to the administrative bureau, and the rates of projects with different structural methods, complaint cases or in different construction phases differ. Upon the pre-sales proceeds in the supervised accounts having reached the regulatory threshold and the relevant projects have reached a certain point of construction and completion, the pre-sales proceeds in the supervised accounts shall be allocated to the developers on the basis of the developer’s application.

Changzhou

Pursuant to the Notice on the Entrust by Third Party of the Pre-sales Proceeds of the Newly-built Commodity Properties (《關於開展市區新建商品房預售資金第三方託管工作的通知》) jointly promulgated by Changzhou Property Protection and Management Bureau, Changzhou Central Branch of People’s Bank of China and Changzhou Branch of China Banking Regulatory Commission, the mortgage loans proceeds from the pre-sales of urban commodity properties shall be entrusted by third parties, which is specified by the commodity properties sales contracts, supervision contracts and loan contracts. According to the Notice on Regulating the Administration on Proceeds from Pre-sales of Urban Commodity Properties (《關於規範市區商品房預售資金監管工作的通知》), which was issued by Changzhou Property Protection and Management Bureau and Changzhou Central Branch of People’s Bank of China on April 13, 2015, property developers must identify the supervised bank with which they shall sign pre-sales proceeds supervision contract while setting up the supervised bank account at the same time. The supervised bank is responsible to ensure that the proceeds are applied to the relevant real estates construction. According to the abovementioned and local regulations with respect to pre-sales proceeds in Changzhou, the collection threshold of pre-sales proceeds in the escrow accounts shall account for a certain percentage of the average selling price that the developer filed to the administrative bureau or shall be calculated under a fixed criterion. Furthermore, the regulatory thresholds for cash balances in the designated escrow accounts lower gradually with the progress of property construction. Failure to comply with the abovementioned two regulations could lead to one or more of the following regulatory measures being imposed on the infringing entity, including an administrative notice requiring rectification within a prescribed time, a penalty, an punishment record in the People’s Bank credit reporting system, warning, a suspension of the online contracting of relevant projects, ceasing pre-selling and revoking pre-sale licenses.

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Zhejiang Province

According to the Circular on Interim Measures Regarding the Supervision of the Proceeds from Pre-sales of Commodity Properties on Zhejiang Province (《浙江省商品房預售資金監管暫行辦法》) promulgated by Zhejiang Property and City Development Department on November 11, 2010 (the “**Pre-sales Circular**”), buyers shall directly deposit the proceeds of pre-sales of commodity properties into the supervised bank account and shall provide the bank deposit to the property developer to get the payment voucher. The property developer must file an application from supervised bank for an approval to withdraw proceeds from the escrow account before it may use the proceeds only for the project construction. Furthermore, a proportion of the pre-sale proceeds which amount to at least 130% of the estimated budget of the supervised projects shall be under supervision according to the pre-sale funds supervision agreement, of which a sum which amounts to 20% of the estimated budget that is under supervision according to the regulatory agreement can be used to pay for the corresponding pre-engineering costs, management fees, sales expenses, financial expenses, unforeseen fees, taxes and simultaneous repayment of real estate development loans and other expenses of the project. Where the property developers violated the aforementioned regulations, they shall be imposed one or more of the following regulatory measures being imposed on the infringing entity, including ceasing pre-sales, an administrative notice requiring rectification within a prescribed time, an adverse record in the entities’ credit records and in the People’s Bank credit reporting system, a suspension of pre-sales of commodity properties as well as a formal conversation with regulatory authorities. Hangzhou, Cixi (in Ningbo) and Dongyang are cities in Zhejiang Province, to which the Pre-sales Circular also applies. Furthermore, Ningbo and Dongyang have promulgated local regulations with respect to the supervision of pre-sales proceeds in accordance with the Pre-sales Circular, which are largely similar to those provisions listed in the aforementioned provincial regulations.

Guangdong Province

According to the Regulations for the Administration of Pre-sales of Commodity Properties on Guangdong Province (《廣東省商品房預售管理條例》) promulgated by the Standing Committee of Guangdong Provincial People’s Congress on September 25, 2014, buyers shall directly deposit the proceeds of pre-sales of commodity properties into the supervised bank account according to the contract and shall provide the bank deposit to the property developer to receive the payment voucher. The pre-sale proceeds shall only be used with the amount approved by the local real estate registration office for the purpose of purchasing construction materials, devices, and paying for construction progress fees and taxes. If property developers violate the regulations on the use or direct deposit of pre-sale proceeds, they shall be ordered to make rectification, be downgraded or have their real estate development qualification cancelled and be subject to a penalty by the competent department. The aforementioned provincial regulation is also applicable to Dongguan, a city in Guangdong Province. Furthermore, in accordance with the provincial regulations, Dongguan has promulgated local regulations on pre-sales proceeds of commodity properties, which are largely similar to those provisions listed in the aforementioned provincial regulations.

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Hefei

Pursuant to the Measures Regarding the Supervision of the Proceeds from Pre-sales of Commodity Properties on Hefei (《合肥市商品房預售資金監督管理辦法》) promulgated by the General Office of the Hefei Municipal People’s Government on April 26, 2018 and the Implementation Rules of the Administrative on Proceeds from Pre-sales of Commodity Properties on Hefei (《合肥市商品房預售資金監管實施細則》) issued by the Housing Security and Housing Administration of Hefei on January 10, 2020, the proceeds from pre-sales of commodity properties shall be directly deposited into the specific supervised account. Furthermore, in accordance with the abovementioned regulations, the key supervision proceeds, which refer to the construction costs required for the completion and delivery of the supervised projects, shall be permitted to use in the purchase of necessary construction materials and equipment, payment of construction cost and tax expenses. Failures to comply with the regulations regarding the deposition of pre-sales proceeds could lead to one or more of the following regulatory measures being imposed on the infringing entity, including an administrative notice requiring rectification within a prescribed time, a suspension of pre-sales proceeds’ allocation from the designated escrow accounts, a suspension of pre-sales of commodity properties, public notice of illegal behavior as well as an adverse record of entities’ credit reports.

Tianmen

In accordance with the Measures regarding the Administration on Usage of Proceeds from Pre-sales of Commodity Properties on Tianmen (《天門市商品房預售資金使用管理辦法》) promulgated by Tianmen Municipal People’s Government on April 24, 2013 and implemented on May 1, 2013 and the Implementation Rules of the Administration on Proceeds from Pre-sales of Commodity Properties on Tianmen (《天門市商品房預售資金監管實施細則》) issued by the Real Estate and Land Administration Bureau of Tianmen on October 8, 2014, property developers shall assist purchasers to deposit the pre-sales proceeds of commodity properties into the specific accounts directly. The proceeds shall be used for purchasing construction materials, devices, and paying for construction progress fees concerning establishments of main constructions and facilities or other relevant construction costs. Where the property developers violated the provisions in terms of usage of proceeds from pre-sales of commodity properties, they shall be imposed regulatory measures by the Real Estate and Land Administration Bureau of Tianmen under the Measures for Administrative of Pre-sales of Commodity Properties.

Changshu

Pursuant to the Interim Measures for the Supervision on Proceeds from Pre-sales of Newly-built Commodity Properties on Changshu (《常熟市新建商品房預售資金監管暫行辦法》) promulgated by Changshu Municipal Government Office on July 5, 2017 and implemented on October 1, 2017, the proceeds from pre-sales shall be principally used to pay for fees concerning construction, installation and supporting construction of the projects. The pre-sales proceeds of newly-built commodity properties shall be fully deposited into the

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supervised account and the property developers could make application for the use of proceeds exceeding the supervised threshold through the supervision system. Under the circumstances that the property developers fail to deposit the proceeds into the supervised accounts, their illegal behaviors shall be recorded under entities' credit files and the People's Bank credit reporting system, and furthermore, their online contracting of relevant projects shall be suspended.

Sales after completion of commodity properties

Under the Sale Measures, commodity properties may be put to post-completion sale only when the following conditions have been satisfied: (i) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of real estate developer; (ii) the enterprise has obtained a land use rights certificate or other approval documents of land use; (iii) the enterprise has obtained the construction project planning permits and the construction work commencement permits; (iv) the commodity properties have been completed and been inspected and accepted as qualified; (v) the relocation of the original residents has been well settled; (vi) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (vii) the property management proposal has been completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency is required to mark the selling price explicitly and clearly for both newly-built and second-hand commercial properties.

On February 26, 2013, the General Office of the State Council issued the Notice on Continuing the Regulation of Real Estate Market (《關於繼續做好房地產市場調控工作的通知》) which is intended to cool down the property market and emphasize the government's determination to strictly enforce regulatory and macro-economic measures, which include, among other things, (i) restrictions on purchase, (ii) increased down payment requirement for second residential properties purchase, (iii) suspending mortgage financing for second or more residential-properties purchase, (iv) 20% individual income tax rate applied to the gain from the sale of properties.

Mortgage of properties

The mortgage of real estate in the PRC is mainly governed by the Property Rights Law of the People's Republic of China (《中華人民共和國物權法》), the Guarantee Law of the PRC (《中華人民共和國擔保法》), and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》). According to these laws and regulations, land use rights, the buildings and other attachments on the ground may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be

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simultaneously created on the use right of the land on which the building is located. The mortgagor and the mortgagee shall enter into a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the contract parties shall register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (《房屋他項權證》) to the mortgagee.

Lease of properties

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, MOHURD promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the “**New Lease Measures**”), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

Under the Contract Law of the People’s Republic of China (《中華人民共和國合同法》) promulgated by the NPC on March 15, 1999, the term of a leasing contract shall not exceed 20 years.

REAL ESTATE REGISTRATION

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014 and became effective on March 1, 2015 and was amended on March 24, 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and was amended on July 24, 2019, provides that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall be strictly managed and shall be carried out in a stable and continuous manner that provides convenience for the people.

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REAL ESTATE FINANCING

Loans to real estate development enterprises

On August 30, 2004, the China Banking Regulatory Commission (the “CBRC”) issued a Guideline for Commercial Banks on Risks of Real Estate Loans (《商業銀行房地產貸款風險管理指引》). According to this guideline, no loans shall be granted to projects which have not obtained requisite land use rights certificates, construction land planning permits, construction works planning permits and construction work commencement permits. The guideline also stipulated that bank loans shall only be extended to real estate developer who applied for loans and contributed not less than 35% of the total investment of the property development project by its own capital. In addition, the guideline provides that commercial banks shall set up strict approval systems for granting loans.

On July 29, 2008, the PBOC and the CBRC issued the Notice on Financially Promoting the Land Saving and Efficient Use (《關於金融促進節約集約用地的通知》), which, among other things,

- restricts from granting loans to property developers for the purpose of paying land grant premiums;
- provides that, for secured loans for land reserve, legal land use rights certificates shall be obtained and the loan on mortgage shall not exceed 70% of the appraised value of the collateral, and the term of loan shall be no more than two years in principle;
- provides that for the property developer who (i) delays the commencement of development date specified in the land use right grant agreement for more than one year, (ii) has not completed one-third of the intended project, or (iii) has not invested one-fourth of the intended total project investment, loans shall be granted or extended prudently;
- prohibits granting loans to the property developer whose land has been idle for more than two years; and
- prohibits taking idle land as a security for loans.

On September 29, 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which restricts the grant of new project bank loans or extension of credit facilities for all property companies with non-compliance records regarding, among other things, holding idle land, changing land use and nature of land, postponing construction commencement or completion, or hoarding properties.

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Trust financing

On March 1, 2007, The Measures for Administration of Trust Companies (《信託公司管理辦法》), which was promulgated by the CBRC on January 23, 2007, came into effect. For the purposes of these measures, “Trust Company” shall mean any financial institution established pursuant to the PRC Company Law and these Measures, and that primarily engages in trust activities.

From October 2008 to November 2010, the CBRC issued several regulatory notices in relation to real estate activities conducted by Trust Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (《關於加強信託公司房地產、證券業務監管有關問題的通知》), promulgated by the CBRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Companies are restricted from providing trust loans, in form or in nature, to property projects (except for affordable housing) that have not obtained the requisite land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits and the property projects of which less than 35% of the total investment is funded by the property developers’ own capital (according to the Notice of State Council on Adjusting and Improving the Capital System for Fixed Assets Investment Projects (《國務院關於調整和完善固定資產投資項目資本金制度的通知》) issued by the State Council and became effective on September 9, 2015, the 35% requirement was changed to 20% for indemnificatory housing and ordinary commodity apartments and to 25% for other property properties).

Housing loans to individual buyers

On April 17, 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》), pursuant to which, a stricter differential housing credit policy shall be enforced. It provides that, among other things, (i) for a family member who is a first-time house buyer (including the debtors, their spouses and their juvenile children, similarly hereinafter) of the apartment with a GFA more than 90 sq.m., a minimum 30% down payment shall be paid; (ii) for a family who applies loans for its second house, the down payment requirement is raised to at least 50% from 30% and also provides that the applicable interest rate must be at least 1.1 times of that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC; and (iii) for those who purchase three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks may suspend housing loans to third or more home buyers in places where house prices rise excessively, the prices are rapidly high and housing supply is insufficient.

The Notice on Certain Matters Concerning Individual Housing Loan Policies (《關於個人住房貸款政策有關問題的通知》) promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and became effective on the same date provides that where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the

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purpose of improving living conditions, the minimum down payment is adjusted to 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower’s credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first house, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price.

The Notice of the PBRC and the CBRC on Further Improving Differentiated Housing Credit Lending Policies (《關於進一步完善差別化住房信貸政策有關問題的通知》) issued by PBOC and CBRC on September 24, 2015, provides that in cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase his/her first ordinary housing property, the minimum down payment shall be adjusted to 25% of the house price. The minimum down payment ratio for the commercial personal housing loan of each city will be independently determined by each provincial pricing self-disciplinary mechanism of market interest based on the actual situation of each city under the guidance of PBOC and the CBRC local office.

The Notice on Adjustments in Respect of Certain Matters Concerning Individual Housing Loan Policies (《關於調整個人住房貸款政策有關問題的通知》), promulgated by PBOC and CBRC on February 1, 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25% of the property price and each city could adjust such ratio downwards by 5%; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30% of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations, and the actual down payment ratio and loan interest rate shall be determined reasonably by the banking financial institutions based on the requirements of minimum down payment ratio determined by provincial pricing self-disciplinary mechanism of market interest, the loan-issuance policies and the risk control for commercial personal housing loan adopted by such banking financial institutions and other factors such as the borrower’s credit record and capacity of repayment.

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ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the People’s Republic of China (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (《建設項目竣工環境保護驗收管理辦法》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities and the construction unit will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

CIVIL AIR DEFENSE PROPERTY

Pursuant to the PRC Law on National Defense (《中華人民共和國國防法》) promulgated by the NPC on March 14, 1997, as amended on August 27, 2009, national defense assets are owned by the state. Pursuant to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》) (the “**Civil Air Defense Law**”), promulgated by the NPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in the construction of civil air defense property and investors in civil air defense are permitted to use, manage the civil air defense property in time of peace and profit therefrom. However, such use must not impair their functions as air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. On November 1, 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (《人民防空工程平時開發利用管理辦法》) and the Administrative Measures for Maintaining the Civil Air Defense Property (《人民防空工程維護管理辦法》), which specify how to use, manage and maintain the civil air defense property.

REGULATORY OVERVIEW

MEASURES ON STABILIZING HOUSING PRICES

The Provisional Measures on Administration of Levying and Collection of VAT on Transfer of Immovables by Taxpayers (《國家稅務總局關於公佈<納稅人轉讓不動產增值稅徵收管理暫行辦法>的公告》) promulgated by the State Administration of Taxation on March 31, 2016 and became effective on May 01, 2016, as amended on June 15, 2018, provides that General taxpayers who transfer immovables obtained by them shall pay VAT. The taxpayer shall make declaration and tax prepayment in accordance with different tax computation method to the tax authorities in charge at the location of the immovable.

The Notice of the Ministry of Finance, the State Administration of Taxation and the MOHURD on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions (《關於調整房地產交易環節契稅、營業稅優惠政策的通知》) promulgated on February 17, 2016 and became effective on February 22, 2016 provides that: (i) in the case of an one-and-only household residential property purchased by individuals (family members shall include the buyer, his/her spouse and underage children, same hereinafter), where the area is 90 sq.m. or below, deed tax shall be levied at the reduced rate of 1%; where the area exceeds 90 sq.m., deed tax shall be levied at the reduced rate of 1.5%; and (ii) the purchase of a second house by an individual for making house improvements for his/her family is subject to deed tax at a reduced rate of 1% if the area of the house is 90 sq.m. or less, or 2% if the area is over 90 sq.m. Meanwhile, the Notice specifies that the sale of a house that has been purchased by an individual for less than two years is subject to business tax at a full rate; and the sale of a house that has been purchased by an individual for two years or more is exempted from business tax. In addition, the Notice stresses that certain preferential business tax policies shall not apply to Beijing Municipality, Shanghai Municipality, Guangzhou City and Shenzhen City for the time being.

In accordance with Circular of the MOHURD and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房和城鄉建設部、國土資源部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》) (promulgated and implemented on April 1, 2017 by Ministry of Land and Resources and MOHURD), in cities featuring obvious contradiction between the supply of and demand for housing or under pressure due to increasing housing prices and more housing land, in particular the land for ordinary commercial houses, shall be supplied to a reasonable extent, and the housing land supply shall be reduced or even suspended in cities requiring a lot of destocking of real estate. All the local authorities shall build a land purchase money inspection system to ensure that the real estate developers use their own legal funds to purchase land.

REGULATORY OVERVIEW

FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《外匯管理條例》) (the “**SAFE Regulations**”) which was promulgated by the State Council and last amended on August 5, 2008. Under the SAFE Regulations, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”), promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident (“**PRC Resident**”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE 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**”), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

TAXES

Corporate Income Tax

Pursuant to the Enterprises Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007, came into effect from January 1, 2008 and was amended on April 23, 2019, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but

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with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While nonresident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where nonresident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993, revised on February 6, 2016 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods or processing, repair and assembly services (hereinafter referred to as “**labor services**”), sale of services, intangible assets, immovables and importation of goods in the People’s Republic of China are required to pay value-added tax.

Pursuant to the Announcement of the State Administration of Taxation on Promulgating the Interim Administrative Measures for the Collection of Value-added Tax on the Sale of Self-developed Real Estate Projects by Real Estate Developers (《國家稅務總局關於發佈<房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法>的公告》) which was promulgated on March 31, 2016, came into effect from May 1, 2016 and was revised on June 15, 2018, real estate developer shall pay value-added tax for the sales of its self-developed real estate project.

Land Appreciation Tax (LAT)

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on January 8, 2011 as well as its implementation rules issued on January 27, 1995, land appreciation tax is payable on the appreciation value derived from the transfer of State-owned land use rights and buildings or other facilities on such land, after deducting the deductible items.

Labor Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which were separately with effect from January 1, 1995 (amended on August 27, 2009 and December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

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Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011, as amended on December 29, 2018, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and further amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and then, upon the examination by such administrative center of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

Preferential Policies for the Prevention and Control of the Epidemic Pneumonia Caused by Novel Coronavirus Infection

In order to relieve enterprise difficulties caused by the COVID-19 epidemic, promote orderly resumption of work and production by enterprises and support stable and widened employment, Ministry of Human Resources and Social Security, Ministry of Finance and the State Administration of Taxation jointly promulgated the Notice on Reduction of Enterprise Social Security Premium Contribution in Phases(《關於階段性減免企業社會保險費的通知》). With effect from February 2020, based on the epidemic impact and the fund threshold, the relative authorities may exempt medium, small and micro enterprises premium contribution for the three social security items, the exemption period shall not exceed five months; and may halve the premium contribution for the three social security items by other social security participating organizations (excluding State agencies and institutions) such as large enterprises, the reduction period shall not exceed three months. Hubei Province may exempt premium contribution for the three social security items by all types of social security participating organizations (excluding State agencies and institutions), the reduction period shall not exceed five months since February, 2020.

Furthermore, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration issued the Circular on Issues concerning Extending the Applicable Period of the Policy for Provisional Reduction and Exemption of the Social Insurance Contributions Borne by Enterprises (關於延長階段性減免企業社會保險費政策實施期限等問題的通知) on June 22, 2020, according to which, for the policy that the partial exemption of the three social insurance items contributions shall be applied for small, medium and micro enterprises, the exemption period will be extended until the end of December 2020. Pursuant to this Circular, the policy implement period for all provinces (except for Hubei Province) of halving the levy of three social insurance items on other organizations (excluding

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State agencies and institution) such as large enterprises shall be extended to the end of June 2020. Meanwhile, for the policy that Hubei Province may exempt premium contribution for the three social security items by other organizations (excluding State agencies and institution), the exemption period shall be extended to the end of June 2020.

Notice on Implementing the Phased Support Policies Involving Housing Provident Fund to Properly Cope with the Novel Coronavirus-infected Pneumonia Epidemic(《關於妥善應對新冠肺炎疫情實施住房公積金階段性支持政策的通知》) was issued by MOHURD, Ministry of Finance, and PBOC, enterprises affected by the novel coronavirus-infected pneumonia epidemic may apply for postponing contribution to the housing provident fund by June 30, 2020, and in regions with identified serious novel coronavirus-infected pneumonia epidemic, enterprises may voluntarily contribute to the housing provident fund by June 30, 2020 on the premise of full consultation with their employees.

According to the Notice on Promulgating Several Policies and Measures of Shanghai Municipality on All-out Efforts in Epidemic Prevention and Control to Support and Serve Enterprises for Their Stable and Sound Development(《上海市全力防控疫情支持服務企業平穩健康發展若干政策措施》) promulgated by Shanghai Municipal and became effective on February 7, 2020, during the period of Novel Coronavirus-infected Pneumonia Epidemic prevention and control, if a taxpayer finds it difficult to file its tax returns within the statutory time limit due to the impact of the epidemic, it may apply for further extension in accordance with the law. Where there is difficulty in making tax payment by deadline due to the impact of the epidemic and the criteria for deferred tax payment are satisfied, deferred tax payment shall be allowed pursuant to the law for a maximum period of three months. As from 2020, the starting and ending dates for contribution years of employee social insurance premiums (including employee medical insurance years) in the Municipality shall be adjusted to be from July 1 of the current year to June 30 of the next year, which is postponed by three months (the contribution year of employee social insurance premiums in 2019 is postponed to July 1, 2020).

Pursuant to the Notice of the People’s Government of Hubei Province on Issuing Several Policies and Measures to Promote Economic and Social Development in Hubei Province (湖北省人民政府關於印發湖北省促進經濟社會加快發展若干政策措施的通知) promulgated by the People’s Government of Hubei Province on March 12, 2020, a taxpayer, who is unable to pay taxes on time due to the impact of the epidemic, shall apply for an extension for tax payment with the approval of the tax authorities up to a maximum period of three months. If a taxpayer has suffered material losses due to the impact of the epidemic and it is indeed difficult for the taxpayer to pay the urban land use tax and real estate tax in 2020, the tax payable shall be reduced or exempted according to the law upon approval of the tax authority. Meanwhile, enterprises that have serious difficulties in their production and operation affected by the epidemic shall apply for a postponement of social insurance payment not exceeding six months, and overdue payment fee occurring during the postponement period shall be exempted.

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PRC MERGER & ACQUISITION

Pursuant to Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce, China Securities Regulatory Commission (the “**CSRC**”) and the SAFE on August 8, 2006, and subsequently amended by the MOFCOM on June 22, 2009, which provided that the scenarios qualify as an acquisition of a domestic enterprise by a foreign investor.

On December 30, 2019, the MOFCOM and State Administration for Market Regulation jointly issued the Measures for Reporting Information on Foreign Investment (《外商投資信息報告辦法》) (the “**Measures for Reporting**”), which became effective on January 1, 2020. Pursuant to the Measures for Reporting, for the investment activities directly or indirectly conducted by foreign investors within the territory of China, the foreign investors or foreign-invested enterprises shall submit the investment information to the competent commercial department. Foreign investors or foreign-invested enterprises shall submit the investment information by presenting the initial report, the change report, the cancellation report and the annual report in accordance with the Measures for Reporting. Where a foreign investor establishes a foreign-invested enterprise within the territory of China, it shall submit an initial report through the enterprise registration system while applying for business establishment registration. If a foreign investor merges and acquires a domestic non-foreign-invested enterprise through the acquisition of equity in the domestic non-foreign-invested enterprise, it shall submit the initial report through the enterprise registration system while applying for change of registration of the merged enterprise.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR HISTORY AND DEVELOPMENT

Overview

As the holding company of our Group, our Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 21, 2018. We are a growing property developer with comprehensive experience focusing on the Yangtze River Delta Economic Region. We have established our brand image among our customers and in the industry through providing residential properties with new technologies and artistic designs that cater to various needs and preferences of different groups of customers and provide them with a smart, convenient and satisfactory living experience.

Our Founder and Early History

Ms. Zhu founded our Group in 2010 after leaving her previous position as a vice president of Central China Real Estate Limited (建業地產股份有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 832), where she acquired knowledge, insight and experience in the sales and development of real property which laid the foundation for the future development of our Group. Ms. Zhu has over 17 years of experience in the PRC real estate industry. Please refer to the section headed “Directors, Senior Management and Employees” for details of Ms. Zhu’s background and relevant industry experience.

Since the establishment of our Group, Ms. Zhu has considered that our Group should strategically focus on property development projects in Shanghai in the PRC, where our headquarters locate and has been an important location for our future expansion. In 2010, we commenced our first residential project Shanghai • Sunkwan Park City (上海•上坤公園天地), the development cost of which was funded by Sunkwan Industrial, which was owned by Ms. Zhu and Ginkgo Investment Group Joint Stock Company (盈信投資集團股份有限公司) (“**Ginkgo Investment**”). Ginkgo Investment is a limited liability company established in the PRC on April 3, 2003 and an investment holding company controlled by Mr. Lin. Mr. Lin was Ms. Zhu’s schoolmate at China-Europe International Business School (中歐國際工商學院); and as confirmed by Ms. Zhu and Mr. Lin, apart from business relationship, there is no family or any other relationship between Ms. Zhu and Mr. Lin. Considering Ms. Zhu’s experience in the PRC real estate industry, Mr. Lin started to explore investment opportunities with Ms. Zhu and invested in Sunkwan Industrial in February 2010. For Mr. Lin’s investment profile in property-related businesses, please see the section headed “Relationship with Controlling Shareholders” in this document. Since then, Ms. Zhu has been able to further our Group’s development strategy which has been focusing on residential properties as our core business with the development of commercial and mixed-use properties to maintain a balanced development portfolio. After years of solidifying our position in Shanghai and leveraging our Group’s accumulated expertise and experience in the PRC real estate industry gained through multiple successful and award-winning projects, we were awarded “Top 30 Real Estate Companies by Sales Amount in Shanghai in 2016 (2016年度上海房企銷售金額排名前30強).” We also launched our nationwide expansion plan by first expanding our footprint into Suzhou in the PRC in 2016. In November 2016, due to its internal restructuring and strategic planning, Ginkgo Investment transferred its 43% equity interest in Sunkwan Industrial to Ginkgo Gofar, which is a limited liability company established in the PRC on July 30, 2014 and an investment holding company controlled by Mr. Lin, for a consideration of RMB21,500,000. The consideration was determined with reference to the then registered capital of Sunkwan Industrial and was fully settled in cash in November 2016.

Our Business Development

With the leadership of Ms. Zhu and the contribution of our experienced and professional management team, we have continued to grow sustainably, expanding our business to different cities in the PRC. As of July 31, 2020, we had established our presence in 14 cities in eight provinces and municipalities across three core economic regions in the PRC, namely the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region with a property portfolio of 49 projects at various development stages. 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, with nearly 70% of which was located in the Yangtze River Delta Economic Region. Currently, we intend to further penetrate in major cities in the Yangtze River Delta Economic Region, and solidify our presence in the Pearl River Delta Economic Zone and the Mid-China Core Economic Region.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Prior to the completion of the Reorganization, other than property development, we were also involved in investment management. As investment management requires different expertise, skills and resources, it has been excluded from our Group after the Reorganization. Please see the section headed “— Reorganization” below for details.

Business Milestones

The following table sets forth the key milestones in our history:

Year	Event
2010	- Ms. Zhu, our founder, founded Sunkwan Group in Shanghai - We launched the sale of our first residential project Shanghai • Sunkwan Park City (上海•上坤公園天地)
2014	We launched our Shanghai • Sunkwan Mangrove Bay (上海•上坤紅樹灣) project, which is our first residential project applying green technologies and craftsmanship
2015	We made our presence known in Shanghai Sheshan with our low-density and high-quality villa-area under our Shanghai • Flourish (上海•樾山) projects
2016	We expanded into Jiangsu province through the development of Suzhou • Sunkwan Riverside Seasons (蘇州•上坤水岸四季)
2017	- We strategically expanded into Anhui province, Zhejiang province and Guangdong province to solidify our industry position in the Yangtze River Delta Economic Region and the Pearl River Delta Economic Zone - We acquired the high-quality commercial land parcel at Qibao in Shanghai for our commercial property projects, including Tower 3, Tower 4 and Tower 5 of Shanghai • Sunkwan International Plaza (上海•上坤國際廣場) and Shanghai • Sunkwan Center (上海•上坤中心) - Our group headquarters were relocated to Sunkwan International Plaza
2018	- We further expanded into Henan province, Hubei province and Jiangxi province, executing our regional development strategy by expanding into the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region - We were awarded “Real Estate Company by Investment Value in China in 2018” by Bo’ao Real Estate Forum and Guandian.cn
2019	- We were ranked 94th among the “2019 Top 100 of Real Estate Developers in China” in terms of comprehensive strength by China Real Estate Top 10 Research Group - We were ranked 89th among the “2019 Top 100 Real Estate Developers in China” in terms of comprehensive strength and listed among the “2019 Top 10 Real Estate Developers in East China by Brand Value” by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal - We were listed among the “2019 Top 10 Real Estate Companies in the Yangtze River Delta Economic Region by Brand Value” and the “2019 Noteworthy Real Estate Company in the Capital Markets” by China Real Estate Top 10 Research Group
2020	- We were ranked 83rd among the “2020 Top 100 Real Estate Developers in China” in terms of comprehensive strength by China Real Estate Top 10 Research Group - We were listed among the “2020 Top 10 Real Estate Developers in China by Business Performance” and ranked 79th among the “2020 Top 100 Real Estate Developers in China” in terms of comprehensive strength by China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENTS

We undertake our property projects through various project companies, joint ventures and associates. As of the Latest Practicable Date, we had established and/or acquired a number of subsidiaries and/or intermediate holding companies to hold some of our project companies. Our principal PRC operating subsidiaries comprise major holding companies and/or subsidiaries which contribute a substantial amount of our Group’s revenue, profits, total assets and development costs during the Track Record Period. Details of major changes in the equity capital of our principal PRC operating subsidiaries are set out below.

1. Sunkwan Properties

Sunkwan Properties is our centralized management platform and an indirect wholly-owned subsidiary of our Company. Sunkwan Properties was established as a limited liability company in the PRC on June 15, 2011 and wholly owned by Sunkwan Industrial, which was in turn owned as to 42% by Sanyou Partnership, 15% by Shirui Partnership and 43% by Ginkgo Gofar, with an initial registered capital of RMB50,000,000, fully paid up in cash in June 2011.

As of January 1, 2017, the beginning of the Track Record Period, Sunkwan Properties was wholly owned by Sunkwan Industrial (a company indirectly controlled by Ms. Zhu) with a registered capital of RMB500,000,000, fully paid up in cash in December 2016. As part of the Reorganization, in October 2018, Sunkwan Industrial transferred all its equity interest in Sunkwan Properties to Zhaokun Industrial (a company indirectly controlled by Ms. Zhu by then and currently an indirect wholly-owned subsidiary of our Company) for a consideration of RMB746,723,413.64. Accordingly, the consideration of RMB746,723,413.64 was recognized as a decrease in merger reserve in 2018. The consideration was determined with reference to the fair values of certain assets and liabilities of Sunkwan Properties as of September 30, 2018, including the long-term equity investment, fixed assets and intangible assets, certain of which were appraised by the independent asset valuer at higher values than the original book values. The consideration was fully settled in cash in January 2019. Upon completion of such transfer, Sunkwan Properties became wholly owned by Zhaokun Industrial. In November 2018, Zhaokun Industrial pledged its entire equity interest in Sunkwan Properties to Shanghai Yubo Investment Management Company Limited (上海譽鉅投資管理有限公司), an independent third party and a trust financing provider, as security for a trust financing. In December 2019, the registered share capital of Sunkwan Properties was increased from RMB500,000,000 to RMB1,500,000,000 by way of capital injection of RMB1,000,000,000 by Zhaokun Industrial. The increased registered capital of Sunkwan Properties was fully paid up in cash in December 2019. In April 2020, the registered capital of Sunkwan Properties was increased from RMB1,500,000,000 to RMB2,000,000,000 by way of capital injection of RMB500,000,000 by Zhaokun Industrial. The increased capital will be paid up in cash on or before December 31, 2030 in accordance with its articles of association. In August 2020, the pledge of the equity interest in Sunkwan Properties to Shanghai Yubo Investment Management Company Limited was released. There has been no change in the equity interest of Sunkwan Properties since then.

2. Cixi Xingkun

Cixi Xingkun Property Co., Ltd. (慈溪星坤置業有限公司) (“**Cixi Xingkun**”) is the project company for our property development project Ningbo • Cixi Riverview Mansion (寧波•慈溪閱江府) and an indirect non-wholly-owned subsidiary of our Company. Cixi Xingkun was established as a limited liability company in the PRC on May 31, 2018 and wholly owned by Shanghai Heji (an indirect wholly-owned subsidiary of our Company) with an initial registered capital of RMB10,000,000. In June 2018, the registered capital of Cixi Xingkun was increased to RMB400,000,000 by way of capital injection of RMB390,000,000 by Shanghai Heji. The registered capital of RMB400,000,000 was fully paid up in cash in June 2018.

In August 2018, Shanghai Heji transferred 33% of the equity interest in Cixi Xingkun to each of Ningbo Xingshengbo Investment Management Limited (寧波興勝博投資管理有限公司) (“**Ningbo Xingshengbo**”) and Ningbo Zhongyue Property Co., Ltd. (寧波中玥置業有限公司) (“**Ningbo Zhongyue**”), both of which are independent third parties, for considerations of RMB132,000,000 and RMB132,000,000, respectively, which were determined with reference to the then registered capital of Cixi Xingkun of RMB400,000,000 at the time of the transfers. The considerations were fully settled in cash in August 2018. Upon completion of such transfers, Cixi Xingkun became owned as to 34% by Shanghai Heji, 33% by Ningbo Xingshengbo and 33% by Ningbo Zhongyue. Pursuant to the articles of association of Cixi Xingkun, Shanghai Heji controls the exercise of 51% of the voting rights in Cixi Xingkun and

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controls the board of directors of Cixi Xingkun. As a result, Shanghai Heji remained controlling the management of Cixi Xingkun and Cixi Xingkun continued to be our subsidiary. For details of the arrangement, please see the section headed “Business — Our Property Projects — Voting Right Arrangements” in this document.

In November 2019, Shanghai Heji transferred 34% of the equity interest in Cixi Xingkun to Sunkwan Properties, the sole shareholder of Shanghai Heji, for nil consideration. Upon completion of such transfer, Cixi Xingkun became owned as to 34% by Sunkwan Properties, 33% by Ningbo Xingshengbo and 33% by Ningbo Zhongyue. Pursuant to the amended articles of association of Cixi Xingkun, Sunkwan Properties is entitled to exercise 51% of the voting right in Cixi Xingkun. In December 2019, Sunkwan Properties pledged 34% of equity interest in Cixi Xingkun to Wanxiang Trust Co., Ltd. (萬向信託股份公司), an independent third party and a trust financing provider, as security for a trust financing. There has been no change in the equity interest of Cixi Xingkun since then.

3. Sheshan Country Club

Sheshan Country Club is the project company for our Shanghai • Flourish (上海•樾山) projects and an indirect non-wholly-owned subsidiary of our Company. Sheshan Country Club was established as a limited liability company in the PRC on April 6, 2001 and wholly owned by Regal Asset Investment Limited (信溢投資有限公司) (“**Regal Asset**”) (a then independent third party), with an initial registered capital of US\$15,000,000, fully paid up in cash in November 2004.

On August 27, 2015, Power Ample Investments Limited (權溢投資有限公司) (“**Power Ample**”) indirectly acquired the 100% equity interest of Regal Asset. Power Ample is a company established in the BVI and jointly owned by Shanghai Quankun Investment Co., Ltd. (上海權坤投資有限公司) (“**Shanghai Quankun**”) and Shanghai Xinyao Investment Co., Ltd. (上海新鑰投資有限公司) (“**Shanghai Xinyao**”), each holding 50% of the equity interest. Shanghai Quankun and Shanghai Xinyao are special purpose vehicles jointly owned by Sunkwan Properties, Shenzhen Aoya Weili Commercial Trading Limited (深圳市奧亞威利商貿有限公司) (“**Shenzhen Aoya**”) (an independent third party) and another independent third party, which respectively held 45%, 5% and 50% of the equity interest in each of Shanghai Quankun and Shanghai Xinyao. The 5% equity interest in each of Shanghai Quankun and Shanghai Xinyao owned by Shenzhen Aoya would be held by Sunkwan Properties as nominee for Shenzhen Aoya for administrative convenience purpose. As a result of such acquisition, Sunkwan Properties indirectly held 45% of the equity interest in Sheshan Country Club. On September 1, 2015, Sunkwan Properties and the independent third party adopted the revised articles of association of Shanghai Quankun and Shanghai Xinyao, which entitled Sunkwan Properties to directly exercise 51% of the voting rights of Shanghai Quankun and Shanghai Xinyao, and therefore to indirectly control the entire voting rights of each of Power Ample and Sheshan Country Club. As such, Sheshan Country Club has been accounted for as our subsidiary since then. For details of the arrangement, please see the section headed “Business — Our Property Projects — Voting Right Arrangements” in this document.

In April 2016, pursuant to an agreement between Shanghai Xinyao, Regal Asset and Sheshan Country Club, Shanghai Xinyao agreed to subscribe for 6.9% of the equity interest in Sheshan Country Club by way of capital injection of RMB20,000,000, which was fully paid up in July 2016.

In September 2016, the entire equity interest in Sheshan Country Club was pledged to Bank of Shanghai Co., Ltd. (Caohejing Branch) (上海銀行股份有限公司(漕河涇支行)), an independent third party, as security for a banking financing.

As of January 1, 2017, the beginning of the Track Record Period, Sheshan Country Club was indirectly owned as to 45% by us, with a registered capital of RMB289,963,512, fully paid up. Pursuant to an agreement effective from October 10, 2019, Shenzhen Aoya transferred its 5% interest in each of Shanghai Quankun and Shanghai Xinyao to Henan Zhiqi Properties Co., Ltd., an independent third party.

Pursuant to an agreement between Sunkwan Properties and Henan Zhiqi Properties Co., Ltd. dated November 30, 2019, Sunkwan Properties agreed to acquire the 5% interest in each of Shanghai Quankun and Shanghai Xinyao from Henan Zhiqi Properties Co., Ltd., as a result of which, Sunkwan Properties indirectly held 50% equity interest in Sheshan Country Club. As Sunkwan Properties is entitled to indirectly control the entire voting rights of Sheshan Country Club pursuant to the articles of association of Shanghai Quankun and Shanghai Xinyao adopted on September 1, 2015, Sheshan Country Club has been accounted for as our subsidiary. In June

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2020, the pledge of the entire equity interest in Sheshan Country Club to Bank of Shanghai Co., Ltd. (Caohejing Branch) was released. On June 28, 2020, the registered capital of Sheshan Country Club was increased to RMB2,699,635,120 by way of capital injection of RMB2,409,671,608 by Shanghai Xinyao. There has been no change in the equity interest of Sheshan Country Club since then.

4. Suzhou Kunxiang

Suzhou Kunxiang is the project company for our property development project Suzhou • Sunkwan Riverside Seasons (蘇州•上坤水岸四季) and an indirect non-wholly-owned subsidiary of our Company. Suzhou Kunxiang was established as a limited liability company in the PRC on October 9, 2016 and wholly owned by Sunkwan Xinding (an indirect wholly-owned subsidiary of our Company) with an initial registered capital of RMB10,000,000, fully paid up in cash in December 2016. In June 2019, the registered capital of Suzhou Kunxiang was increased to RMB100,000,000 by way of capital injection of RMB90,000,000 by Sunkwan Xinding. The increased registered capital of RMB90,000,000 was fully paid up in cash in June 2019.

In December 2016, Sunkwan Xinding entered into a cooperation framework agreement with Shenzhen Aoya, an independent third party, pursuant to which Shenzhen Aoya acquired 30% of the equity interest in Suzhou Kunxiang for a consideration of RMB3,000,000. The consideration was determined with reference to the then registered capital of Suzhou Kunxiang of RMB10,000,000 at the time of the transfer. Pursuant to the cooperation framework agreement, the 30% equity interest was held by Sunkwan Xinding as nominee for Shenzhen Aoya in order to avoid potential delay due to administrative procedures. On October 31, 2019, Sunkwan Xinding and Shenzhen Aoya entered into a supplemental agreement, pursuant to which the parties agreed to terminate the nominee arrangement and hence Sunkwan Xinding agreed to transfer 30% equity interest in Suzhou Kunxiang to Shenzhen Aoya for nil consideration. Upon termination of the nominee arrangement, Suzhou Kunxiang was owned as to 70% by Sunkwan Xinding and 30% by Shenzhen Aoya. In December 2019, 70% equity interest in Suzhou Kunxiang was pledged by Sunkwan Xinding to Tibet Yujia Chuangye Investment Management Limited (西藏宇嘉創業投資管理有限公司), an independent third party, as security for a trust financing. In January 2020, Shenzhen Aoya transferred 30% equity interest in Suzhou Kunxiang to Shanghai Xizhan Business Management Co., Ltd. (上海喜展企業管理有限公司) (“**Shanghai Xizhan**”), an independent third party. As a result of such transfer, Suzhou Kunxiang became owned as to 70% by Sunkwan Xinding and 30% by Shanghai Xizhan. There has been no change in the equity interest of Suzhou Kunxiang since then.

5. Changshu Gongzhu

Changshu Gongzhu is the project company for our property development project Suzhou • Changshu Phoenix Garden (蘇州•常熟梧桐苑) and an indirect non-wholly-owned subsidiary of our Company. Changshu Gongzhu was established as a limited liability company in the PRC on September 7, 2017 and wholly owned by Changshu Country Garden Real Estate Limited (常熟市碧桂園置業有限公司) (“**Changshu Country Garden**”), an independent third party, with a registered capital of RMB20,000,000. In December 2017, the registered capital of Changshu Gongzhu was increased to RMB80,000,000 by way of capital injection of RMB20,000,000 by each of Suzhou Kunrui (an indirect wholly-owned subsidiary of our Company) and two independent third parties, Suzhou Xinchefu Business Information Consulting Co., Ltd. (蘇州鑫宸富商務信息諮詢有限公司) (formerly known as Suzhou Xinkun Investment Consulting Co., Ltd. (蘇州鑫坤投資諮詢有限公司)) (“**Suzhou Xinchefu**”) and Nantong Zhongnan New World Center Development Limited (南通中南新世界中心開發有限公司) (“**Nantong Zhongnan**”). Upon completion of such transfers, Changshu Gongzhu became owned as to 25% by each of Changshu Country Garden, Suzhou Kunrui, Suzhou Xinchefu and Nantong Zhongnan, and Changshu Gongzhu became our joint venture entity. The registered capital of RMB80,000,000 was fully paid up in cash in December 2017.

In June 2018, Changshu Country Garden transferred 2.5% and 1.25% of the equity interest in Changshu Gongzhu to two other independent third parties, Changxing Xinbi Investment Management Partnership (Limited Partnership) (長興新碧投資管理合夥企業(有限合夥)) (“**Changxing Xinbi**”) and Foshan Shunde Sharing Investment Limited (佛山市順德區共享投資有限公司) (“**Foshan Shunde Sharing**”), for considerations of RMB2,000,000 and RMB1,000,000, respectively, which were determined with reference to the then registered capital of Changshu Gongzhu of RMB80,000,000 at the time of the transfers.

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In August 2019, Suzhou Kunrui further acquired 25% of the equity interest in Changshu Gongzhu from Suzhou Xinchefu for a consideration of RMB22,670,000, which was determined with reference to the fair value of the equity interest of Changshu Gongzhu of RMB90,680,000 as of August 31, 2019 as appraised by an independent asset valuer. The consideration was fully settled in cash in August 2019. Upon completion of such transfers, Changshu Gongzhu became owned as to 50% by Suzhou Kunrui, 25% by Nantong Zhongnan, 21.25% by Changshu Country Garden, 2.5% by Changxing Xinbi and 1.25% by Foshan Shunde Sharing. At around the same time, Suzhou Kunrui and Suzhou Xinchefu entered into a nominee arrangement, pursuant to which Suzhou Xinchefu held 25% of equity interest in Changshu Gongzhu as nominee for Suzhou Kunrui. At around the same time, Nantong Zhongnan entered into a voting right entrustment agreement with Suzhou Kunrui, pursuant to which Nantong Zhongnan agreed to entrust its voting rights attached to its 1% equity interest in Changshu Gongzhu, as well as its voting rights at the board of directors of Changshu Gongzhu, to Suzhou Kunrui. For details of the voting right entrustment agreement, please see the section headed “Business — Our Property Projects — Voting Right Arrangements” in this document. As a result, Suzhou Kunrui controls the exercise of 51% of the voting rights in Changshu Gongzhu and takes over control of the management of Changshu Gongzhu and therefore, Changshu Gongzhu is accounted for as our subsidiary. There has been no change in the equity interest of Changshu Gongzhu since then.

6. Changzhou Qiansheng

Changzhou Qiansheng Real Estate Development Co., Ltd. (常州乾晟房地產開發有限公司) (“**Changzhou Qiansheng**”) is the project company for our property development project Changzhou • Mindcloud Peakview (常州•雲峯) and an indirect non-wholly-owned subsidiary of our Company. Changzhou Qiansheng was established as a limited liability company in the PRC on May 6, 2019 and owned as to 60% by Changzhou Hongyang Plaza Properties Co., Ltd. (常州弘陽廣場置業有限公司) (“**Changzhou Hongyang**”), an independent third party, and 40% by Suzhou Kuncheng (an indirect wholly-owned subsidiary of our Company) with a registered capital of RMB120,000,000, fully paid in cash in May 2019. At around the same time, Changzhou Hongyang entered into a voting right entrustment agreement with Suzhou Kuncheng, pursuant to which Changzhou Hongyang agreed to entrust its voting rights attached to its 11% equity interest in Changzhou Qiansheng to Suzhou Kuncheng. For details of the voting right entrustment agreement, please see the section headed “Business — Our Property Projects — Voting Right Arrangements” in this document. As a result, Suzhou Kuncheng controls the exercise of 51% of the voting rights in Changzhou Qiansheng and takes over control of the management of Changzhou Qiansheng and therefore, Changzhou Qiansheng is accounted for as our subsidiary. In November 2019, each of Changzhou Hongyang and Suzhou Kuncheng pledged its respective equity interest in Changzhou Qiansheng to New China Trust Co., Ltd. (新華信託有限公司), an independent third party and a trust financing provider, as security for a trust financing. On March 18, 2020, the registered capital was increased to RMB300,000,000. The increased capital will be fully paid up in cash on or before December 31, 2039 in accordance with its articles of association. There has been no change in the equity interest of Changzhou Qiansheng since then.

7. Shangrao Yiju

Shangrao Yiju is the project company for our property development project Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季) and an indirect wholly-owned subsidiary of our Company. Shangrao Yiju was established as a limited liability company in the PRC on June 21, 2018 and wholly owned by Hefei Kungui (an indirect wholly-owned subsidiary of our Company) with an initial registered capital of RMB250,000,000, fully paid up in cash in September 2018.

In August 2019, the registered capital of Shangrao Yiju was increased to RMB510,200,000 by way of capital injection of RMB260,200,000 by Sunkwan Properties. The registered capital of Shangrao Yiju will be fully paid up in cash on or before June 19, 2048 in accordance with its articles of association. Upon completion of such capital injection, Shangrao Yiju became owned as to 49% by Hefei Kungui and 51% by Sunkwan Properties. In August 2019, the entire equity interest in Shangrao Yiju was pledged to Tianjin Trust Limited (天津信託有限公司), an independent third party and a trust financing provider, as security for a trust financing. There has been no change in the equity interest of Shangrao Yiju since then.

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8. Hangzhou Kunxin

Hangzhou Kunxin is the project company for our property development project Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季) and an indirect wholly-owned subsidiary of our Company. Hangzhou Kunxin was established as a limited liability company in the PRC on November 1, 2017 and wholly owned by Hangzhou Xingkun (a then indirect wholly-owned subsidiary of our Company) with an initial registered capital of RMB10,000,000, fully paid up in cash in July 2018. In February 2019, Hangzhou Xingkun pledged its entire equity interest in Hangzhou Kunxin to JIC Trust Co., Ltd. (中建投信託股份有限公司), an independent third party and a trust financing provider, as security for a trust financing. There has been no change in the equity interest of Hangzhou Kunxin since then.

9. Jinhua Jingkun

Jinhua Jingkun Property Co., Ltd. (金華環坤置業有限公司) (“**Jinhua Jingkun**”) is the project company for our property development project Jinhua • Dongyang Metropolis (金華•東陽大都會) and an indirect non-wholly-owned subsidiary of our Company. Jinhua Jingkun was established as a limited liability company in the PRC on May 10, 2018 and wholly owned by Shanghai Shangkun Aiyang Property Co., Ltd. (上海上坤愛楊置業有限公司) (“**Shanghai Aiyang**”) (an indirect wholly-owned subsidiary of our Company) with an initial registered capital of RMB8,000,000. In June 2018, the registered capital of Jinhua Jingkun was increased to RMB500,000,000 by way of capital injection of RMB492,000,000 by Shanghai Aiyang. The registered capital of Jinhua Jingkun was fully paid up in cash in October 2018.

In October 2018, Shanghai Aiyang transferred 51% and 49% of its equity interest in Jinhua Jingkun to Hangzhou Chenkun (an indirect wholly-owned subsidiary of our Company) and Quzhou Taiduo Real Estate Development Limited (衢州泰多房地產開發有限公司) (“**Quzhou Taiduo**”), an independent third party, for considerations of RMB255,000,000 and RMB245,000,000, respectively, which were determined with reference to the then registered capital of Jinhua Jingkun of RMB500,000,000 at the time of the transfers. The considerations were fully settled in cash in October 2018. Upon completion of such transfers, Jinhua Jingkun became owned as to 51% by Hangzhou Chenkun and 49% by Quzhou Taiduo. In January 2020, the registered capital of Jinhua Jingkun was increased from RMB500,000,000 to RMB537,000,000 by way of capital injection of RMB18,870,000 by Hangzhou Chenkun, RMB27,730 by Quzhou Taiduo, RMB4,945,770 by Quzhou Linghang Investment Management Partnership (Limited Partnership) (衢州領航投資管理合夥企業(有限合夥)) (“**Quzhou Linghang**”) and RMB13,156,500 by Duilongdeqingqu Bixiang Enterprise Management Limited (堆龍德慶區碧享企業管理有限公司) (“**Duilongdeqingqu Bixiang**”). Each of Quzhou Linghang and Duilongdeqingqu Bixiang is an independent third party. As a result, Jinhua Jingkun became owned as to 51% by Hangzhou Chenkun, 45.63% by Quzhou Taiduo, 0.92% by Quzhou Linghang and 2.45% by Duilongdeqingqu Bixiang. There has been no change in the equity interest of Jinhua Jingkun since then.

10. Dongguan Herui

Dongguan Herui Industrial Investment Co., Ltd. (東莞市和瑞實業投資有限公司) (“**Dongguan Herui**”) is the project company for our property development project Dongguan • Champagne Garden (東莞•香檳花園) and an indirect non-wholly-owned subsidiary of our Company. Dongguan Herui was established as a limited liability company in the PRC on December 25, 2017 and wholly owned by Poly Bay Area Investment Development Co., Ltd. (保利灣區投資發展有限公司) (formerly known as Poly Yuedong Real Estate Development Limited (保利粵東房地產開發有限公司)) (“**Poly**”), an independent third party, with an initial registered capital of RMB20,000,000. In May 2018, the registered capital of Dongguan Herui was increased to RMB80,000,000 by way of capital injection of RMB20,000,000 by Shenzhen Qianhui (an indirect wholly-owned subsidiary of the Company), RMB20,000,000 by Dongguan Gemdale Investment Development Co., Ltd. (東莞市金地投資發展有限公司) (“**Dongguan Gemdale**”) and RMB20,000,000 by Dongguan Country Garden Real Estate Development Limited (東莞市碧桂園房地產開發有限公司) (“**Dongguan Country Garden**”). Each of Dongguan Gemdale and Dongguan Country Garden is an independent third party. The registered capital of RMB80,000,000 was fully paid up in cash in May 2018. Upon completion of the capital injections, Dongguan Herui became owned as to 25% by Poly, 25% by Dongguan Gemdale, 25% by Dongguan Country Garden and 25% by Shenzhen Qianhui.

At around the same time, Poly, Dongguan Gemdale, Dongguan Country Garden and Shenzhen Qianhui entered into a voting right entrustment agreement, pursuant to which Poly, Dongguan Gemdale and Dongguan Country Garden agreed to entrust their voting rights attached to their respective 8.66%, 8.67% and 8.67% equity interest in Dongguan Herui, as

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well as their voting rights at the board of directors of Dongguan Herui, to Shenzhen Qianhui. Consequently, Shenzhen Qianhui controls the exercise of approximately 51% of the voting rights in Dongguan Herui and controls the management of Dongguan Herui and therefore, Hangzhou Kunxin is accounted for as our subsidiary. When the Group obtained control of Dongguan Herui, Dongguan Herui only possessed the land use right of a parcel of land with no construction or planned development performed, hence Dongguan Herui did not constitute a business under IFRS 3; accordingly, the acquisition of Dongguan Herui was accounted for as an asset acquisition and acquisition accounting was not applied. In June 2019, Dongguan Gemdale transferred 2% of the equity interest in Dongguan Herui to Jiaxing Wentou No. 5 Investment Partnership (Limited Partnership) (嘉興穩投五號投資合夥企業(有限合夥)) (“**Jiaxing Wentou**”), an independent third party. For details of the voting right entrustment agreement, please see the section headed “Business — Our Property Projects — Voting Right Arrangements” in this document. As a result of such transfer, Dongguan Herui became owned as to 25% by Poly, 23% by Dongguan Gemdale, 25% by Dongguan Country Garden, 25% by Shenzhen Qianhui and 2% by Jiaxing Wentou. There has been no change in the equity interest of Dongguan Herui since then.

11. Hefei Jiakun

Hefei Jiakun is the project company for our property development project Hefei • Sunkwan Begonia Seasons (合肥•上坤海棠四季) and an indirect wholly-owned subsidiary of our Company. Hefei Jiakun was established as a limited liability company in the PRC on August 9, 2017 and owned as to 55% by Sunkwan Properties and 45% by Shanghai Sunkwan Xingcheng Property Co., Ltd. (上海上坤星程置業有限公司) (“**Sunkwan Xingcheng**”) (a wholly-owned subsidiary of Sunkwan Properties), with an initial registered capital of RMB10,000,000. On November 2, 2017, in order to simplify relevant administrative filing procedures, Sunkwan Xingcheng transferred its entire equity interest in Hefei Jiakun to Sunkwan Properties for nil consideration as the registered capital had not been paid at the time of the transfer. Upon the completion of such transfer, Hefei Jiakun became wholly owned by Sunkwan Properties. On November 28, 2017, Sunkwan Properties transferred 45% equity interest in Hefei Jiakun back to Sunkwan Xingcheng for nil consideration as the registered capital had not been paid at the time of the transfer. Upon completion of such transfer, Hefei Jiakun became owned as to 55% by Sunkwan Properties and 45% by Sunkwan Xingcheng (an indirectly wholly-owned subsidiary of Sunkwan Properties). The registered capital of Hefei Jiakun was fully paid up in cash in October 2017.

In March 2020, Sunkwan Properties and Sunkwan Xingcheng transferred 55% and 45% of the equity interest in Hefei Jiakun to Hefei Kuncong Property Co., Ltd. (合肥坤聰置業有限公司) (“**Hefei Kuncong**”) (an indirect non-wholly-owned subsidiary of the Company) for RMB5,500,000 and RMB4,500,000, respectively. The considerations were determined with reference to the then registered capital of Hefei Jiakun of RMB10,000,000 at the time of the transfers. At the same time, the registered capital of Hefei Jiakun was increased from RMB10,000,000 to RMB426,200,000 by way of capital injection of RMB416,200,000 by Hefei Kuncong. There has been no change in the equity interest of Hefei Jiakun since then.

12. Shanghai Kunhui

Shanghai Kunhui Property Co., Ltd. (上海坤輝置業有限公司) (“**Shanghai Kunhui**”) is the project company for our property development project Shanghai • Sunkwan Cifi Villas (上海•上坤旭輝墅) and an indirect non-wholly-owned subsidiary of our Company. Shanghai Kunhui was established as a limited liability company in the PRC on January 13, 2015 and wholly owned by Sunkwan Industrial (a company indirectly controlled by Ms. Zhu), with an initial registered capital of RMB10,000,000. In June 2015, the registered capital of Shanghai Kunhui was increased to RMB20,000,000 by way of capital injection of RMB10,000,000 by CIFI Group Co., Ltd. (旭輝集團股份有限公司) (“**CIFI China**”), a wholly-owned subsidiary of CIFI Holdings (Group) Co. Ltd. (a real estate development company listed on the Main Board of the Stock Exchange (stock code: 884)) and an independent third party which principally engages in real estate development and property investment business in the PRC. Considering the development potential of the land parcel held by Shanghai Kunhui and the profitability of the related property project, CIFI China invested in Shanghai Kunhui in its ordinary course of business. The registered capital was fully paid up in cash in June 2015. Upon completion of such capital injection, Shanghai Kunhui became owned as to 50% by CIFI China and 50% by Sunkwan Industrial. Pursuant to the amended articles of association of Shanghai Kunhui, Sunkwan Industrial and CIFI China controlled the exercise of 51% and 49%, respectively, of the voting rights in Shanghai Kunhui, hence Shanghai Kunhui continued to be a subsidiary of Sunkwan Industrial.

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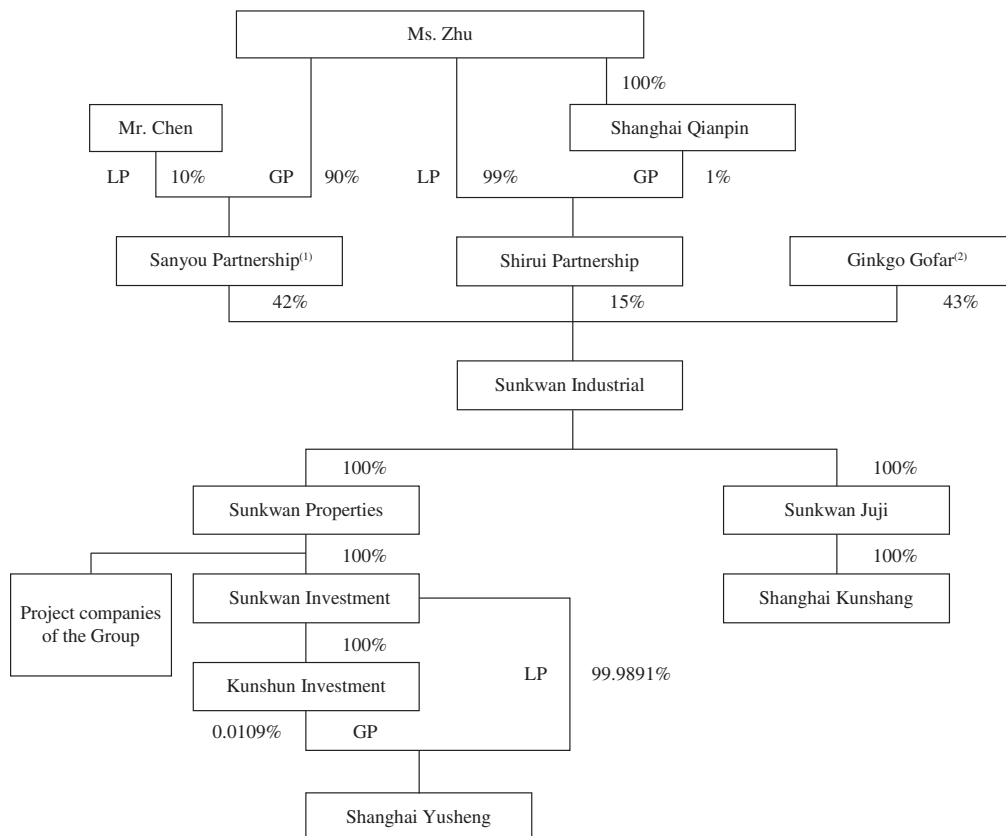
In March 2017, Sunkwan Industrial transferred its entire equity interest in Shanghai Kunhui to Sunkwan Properties for a consideration of RMB10,000,000, which was determined with reference to the then registered capital of Shanghai Kunhui of RMB20,000,000 at the time of the transfer. The consideration was fully settled in April 2017. Upon completion of such transfer, Shanghai Kunhui became owned as to 50% by Sunkwan Properties and 50% by CIFI China. Pursuant to the amended articles of association of Shanghai Kunhui, Sunkwan Properties and CIFI China control the exercise of 51% and 49%, respectively, of the voting rights in Shanghai Kunhui. For details of the arrangement, please see the section headed “Business — Our Property Projects — Voting Right Arrangements” in this document. As a result, Sunkwan Properties takes over control of the management of Shanghai Kunhui and Shanghai Kunhui is accounted for as our subsidiary. There has been no change in the equity interest of Shanghai Kunhui since then.

We have adopted a complex Group structure with a large number of subsidiaries, joint ventures and associates due to the customary practice of the property development industry in the PRC to establish a project company for each new property project. This allows for flexibility in the relevant licensing, compliance and financial risk management when our Group engages and completes property projects during its ordinary course of business.

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. 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. See “Risk Factors — Our current and future indebtedness level and the associated covenants may restrict our ability to seek additional capital resources.”

REORGANIZATION

Set forth below is the simplified corporate structure of our Group immediately prior to the Reorganization:



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Notes:

- (1) Ms. Zhu holds 90% equity interest in Sanyou Partnership as the general partner. The remaining 10% equity interest in Sanyou Partnership is owned by Mr. Chen, the spouse of Ms. Zhu, as the limited partner.
- (2) Ginkgo Gofar was held as to approximately 79.48% by Mr. Lin, 9.17% by Mr. Liang Dehui (梁德惠), 0.89% by Mr. Zhang Yue (張躍), 6.71% by Ms. Lin Zhaohong (林朝虹), 1.12% by Mr. Wan Liying (萬里營), 0.40% by Mr. Liu Weilin (劉維林), 0.89% by Mr. Zhou Yaoming (周耀明), 0.05% by Ms. Peng Jinying (彭金映), 0.54% by Mr. Sun Xinrui (孫新銳), 0.75% by Mr. Zhu Chuyan (朱楚延) (together, the “**Ginkgo Individual Shareholders**”). Except for Mr. Lin and Ms. Lin Zhaohong who are also our non-executive Directors, all other Ginkgo Individual Shareholders are independent third parties other than being our shareholders through Ginkgo-BVI.

In anticipation of our [REDACTED], we underwent the Reorganization pursuant to which our Company became the holding company and [REDACTED] vehicle of our Group and our PRC operations were transferred to our Company. The Reorganization involved the following steps:

Step 1: Onshore reorganization

(1) Establishment of Zhaokun Industrial by Sanyou Partnership, Shirui Partnership and Ginkgo Gofar

Zhaokun Industrial was established as a limited liability company in the PRC on May 7, 2018 with an initial registered capital of RMB60,000,000, which was fully paid up in cash in September 2018. Upon its establishment, Zhaokun Industrial was owned as to 42% by Sanyou Partnership, 15% by Shirui Partnership and 43% by Ginkgo Gofar.

(2) Acquisition of Shanghai Kunshang by Sunkwan Properties

Shanghai Kunshang was established as a limited liability company in the PRC on November 12, 2015 with an initial registered capital of RMB500,000. It is primarily engaged in the provision of commercial management consultancy services to our Group’s self-owned properties. In order to streamline and consolidate our onshore business, on September 13, 2018, Sunkwan Properties acquired the entire equity interest in Shanghai Kunshang from Sunkwan Juji for a consideration of RMB750,000, which was determined with reference to Shanghai Kunshang’s then registered capital of RMB500,000 and its surplus reserve of RMB250,000 at the time of the transfer. Accordingly, the consideration of RMB750,000 was recognized as a decrease in merger reserve in 2018. The consideration was fully settled in cash in August 2018. Upon completion of such transfer, Shanghai Kunshang became a wholly-owned subsidiary of Sunkwan Properties.

(3) Capital Injection by Sanyou Partnership, Shirui Partnership and Ginkgo Gofar into Zhaokun Industrial

On September 20, 2018, Sanyou Partnership, Shirui Partnership and Ginkgo Gofar injected RMB252,000,000, RMB90,000,000 and RMB258,000,000 to Zhaokun Industrial, respectively. As a result, the registered capital of Zhaokun Industrial was increased from RMB60,000,000 to RMB67,550,000, together with an increase of RMB592,450,000 in its capital reserve. The amount of capital injection of each shareholder was in proportion to their respective shareholdings in Zhaokun Industrial. The registered capital of RMB67,550,000 of Zhaokun Industrial was fully paid up in cash in September 2018.

(4) Acquisition of Sunkwan Properties by Zhaokun Industrial

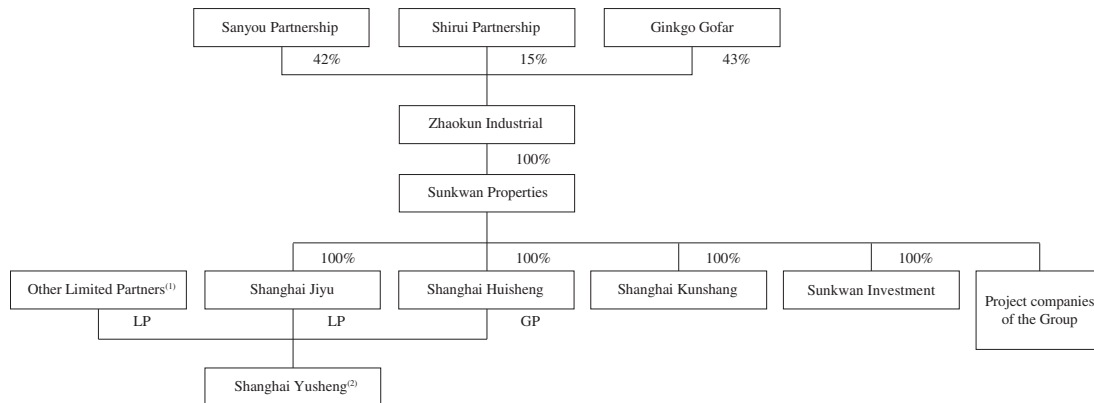
On October 17, 2018, Zhaokun Industrial acquired the entire equity interest in Sunkwan Properties from Sunkwan Industrial for a consideration of RMB746,723,413.64. The consideration was determined with reference to the fair values of certain assets and liabilities of Sunkwan Properties as of September 30, 2018, including the long-term equity investment, fixed assets and intangible assets, certain of which were appraised by the independent asset valuer at higher values than the original book values. Accordingly, the consideration of RMB746,723,413.64 was recognized as a decrease in merger reserve in 2018. The consideration was fully settled in cash on January 4, 2019. Upon completion of such transfer on October 17, 2018, Sunkwan Properties became a wholly-owned subsidiary of Zhaokun Industrial.

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(5) *Transfer of equity interest in Shanghai Yusheng to Sunkwan Properties*

Shanghai Yusheng holds the Shanghai • Sunkwan International Plaza (上海•上坤國際廣場) project, which is an important asset of the Group. Prior to the Reorganization, Sunkwan Investment was the limited partner of Shanghai Yusheng and its wholly-owned subsidiary Kunshun Investment was the general partner of Shanghai Yusheng, hence Shanghai Yusheng was indirectly wholly owned by Sunkwan Investment. On October 24, 2018, Sunkwan Investment transferred (i) approximately 13.68% equity interest in Shanghai Yusheng to Shanghai Jiyu for a consideration of RMB62,930,000, (ii) approximately 71.69% equity interest in Shanghai Yusheng to Gefei Asset Management Limited for a consideration of RMB329,760,000 and (iii) approximately 14.62% equity interest in Shanghai Yusheng to Wuhu Gefei Asset Management Limited for a consideration of RMB67,260,000. Each of Gefei Asset Management Limited and Wuhu Gefei Asset Management Limited is an independent third party other than being a limited partner of Shanghai Yusheng. On the same day, Kunshun Investment transferred approximately 0.01% equity interest in Shanghai Yusheng to Shanghai Huisheng for a consideration of RMB50,000. The considerations were determined with reference to the then registered capital of Shanghai Yusheng of RMB460,000,000 at the time of the transfer and were fully settled in cash in October 2018. Upon completion of such transfers, Shanghai Huisheng became the general partner and Shanghai Jiyu became one of the limited partners of Shanghai Yusheng.

Set forth below is the simplified corporate structure of our Group immediately after the completion of the steps described above:



Notes:

- (1) Shanghai Yusheng was owned by other limited partners as to approximately 71.69% by Gefei Asset Management Limited and approximately 14.62% by Wuhu Gefei Asset Management Limited. Each of Gefei Asset Management Limited and Wuhu Gefei Asset Management Limited is an independent third party other than being a limited partner of Shanghai Yusheng, and holds its equity interest in Shanghai Yusheng as security for trust financing.
- (2) Shanghai Yusheng was owned as to approximately 13.68% by Shanghai Jiyu as the limited partner, and approximately 0.01% by Shanghai Huisheng as the general partner.

(6) *Disposal of Sunkwan Investment*

Sunkwan Investment is a limited liability company established in the PRC on April 5, 2016 and an investment holding company. Prior to the disposal in October 2018, it was wholly owned by Sunkwan Properties. Sunkwan Investment was set up for the purpose of managing Shanghai Yusheng, Zhejiang Kunshun Investment Management Co., Ltd. (浙江坤順投資管理有限公司) and Shanghai Hongji Business Management Consulting Partnership (Limited Partnership) (上海宏迹企業管理諮詢合夥企業(有限合伙)). Save for holding of investment companies for future investments or other business arrangements which are yet to be implemented, each of these companies has not commenced any business or operation since its establishment.

To further streamline our Group’s corporate structure and to focus on our core business, except for Shanghai Yusheng, other subsidiaries of Sunkwan Investment which primarily engage in investment business and are not relevant to our core business were disposed of by

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

transferring Sunkwan Properties’ entire equity interest in Sunkwan Investment to Sunkwan Industrial on October 31, 2018 for a consideration of RMB1, as the registered capital had not been paid at the time of the transfer. The consideration was fully settled in cash in October 2018.

Our Directors consider that the financial impact on the Group resulting from such disposal is insignificant given that (i) Sunkwan Investment did not generate any revenue during the Track Record Period, and (ii) the Group did not make any material investments through Sunkwan Investment during the Track Record Period. If Sunkwan Investment were included in the Group, it is estimated that the Group’s total assets would have been slightly increased by approximately 0.04%, 0.03%, 0.03% and 0.03% as of December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020 and the Group’s net profit would have been slightly reduced by approximately 2.75%, 0.21%, 0% and 0% for the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. As confirmed by our Directors, Sunkwan Investment had not been involved in any material claim, litigation or non-compliance since its establishment and up to the date of disposal by Sunkwan Properties.

Step 2: Establishment of offshore holding companies

On May 18, 2018, Ms. Zhu set up Smoothly Holdings, a business company incorporated in the BVI with limited liability which is authorized to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each, and held its 100% equity interest. On July 3, 2018, the Ginkgo Individual Shareholders incorporated Ginkgo-BVI in the BVI. Upon incorporation and to reflect their respective onshore shareholdings, Ginkgo-BVI was owned as to approximately 79.48% by Mr. Lin, 9.17% by Mr. Liang Dehui (梁德惠), 0.89% by Mr. Zhang Yue (張躍), 6.71% by Ms. Lin Zhaohong (林朝虹), 1.12% by Mr. Wan Liying (萬里營), 0.40% by Mr. Liu Weilin (劉維林), 0.89% by Mr. Zhou Yaoming (周耀明), 0.05% by Ms. Peng Jinying (彭金映), 0.54% by Mr. Sun Xinrui (孫新銳) and 0.75% by Mr. Zhu Chuyan (朱楚延). Except for Mr. Lin and Ms. Lin Zhaohong who are also our non-executive Directors, all other Ginkgo Individual Shareholders are independent third parties other than being our shareholders through Ginkgo-BVI.

On August 21, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was US\$20,000, divided into 20,000,000,000 ordinary shares of a par value of US\$0.000001 each. On the date of incorporation, our Company issued and allotted one Share to Sertus Nominees (Cayman) Limited, which was subsequently transferred to Smoothly Holdings. On the same day, our Company issued and allotted 1,237,612,499 Shares and 933,637,500 Shares to Smoothly Holdings and Ginkgo-BVI, respectively, at par value. As a result, our Company was owned as to 57% by Smoothly Holdings and 43% by Ginkgo-BVI.

On September 3, 2018, our Company incorporated its wholly-owned subsidiary, Inspiration Holdings, in the BVI, which is authorized to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On September 17, 2018, Smoothly Holdings set up its wholly-owned subsidiaries, YongHeng Holdings and Broad Holdings, in the BVI. Each of YongHeng Holdings and Broad Holdings is authorized to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On October 2, 2018, Inspiration Holdings incorporated Wanxie HK in Hong Kong and held all the issued shares of Wanxie HK.

On October 12, 2018, Smoothly Holdings transferred 1,125,111,352 Shares and 112,501,148 Shares of our Company to YongHeng Holdings and Broad Holdings for nominal consideration. Upon completion of such transfers, our Company became owned as to 51.82% by YongHeng Holdings, 5.18% by Broad Holdings and 43% by Ginkgo-BVI.

Step 3: Acquisition of 3.5% equity interest in Zhaokun Industrial by Dr. Lee

On July 6, 2018, Dr. Lee (an independent third party other than being our [REDACTED] investor) set up her investment vehicle, Enrich Vast, in the BVI, which is authorized to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On July 10, 2018, Enrich Vast established Foison Treasure in the BVI and held its 100% equity interest. On August 28, 2018, Foison Treasure established Winning Concord in Hong Kong and held its 100% equity interest. On October 26, 2018, Winning Concord acquired 3.5% equity interest in Zhaokun Industrial by way of capital injection. The total consideration was RMB51,021,056.45, which was determined with reference to Zhaokun Industrial’s then registered capital of RMB67,550,000, its capital reserve and the shareholders’ entire equity interest valuation of Sunkwan Properties (a direct wholly-owned subsidiary of Zhaokun Industrial) of RMB746,723,400 as of September 30, 2018 as appraised by an independent asset

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valuer after arm’s length negotiations between the parties. The consideration was fully settled in cash in June 2019. Upon completion of the capital injection, the registered capital of Zhaokun Industrial was increased by RMB2,450,000 from RMB67,550,000 to RMB70,000,000. The remaining amount of consideration of RMB48,571,056.45 was contributed as the capital reserve of Zhaokun Industrial. Following such change in capital, Zhaokun Industrial was owned as to approximately 40.53% by Sanyou Partnership, 14.475% by Shirui Partnership, 41.495% by Ginkgo Gofar and 3.5% by Winning Concord. Please see “— [REDACTED] Investment” below for further details.

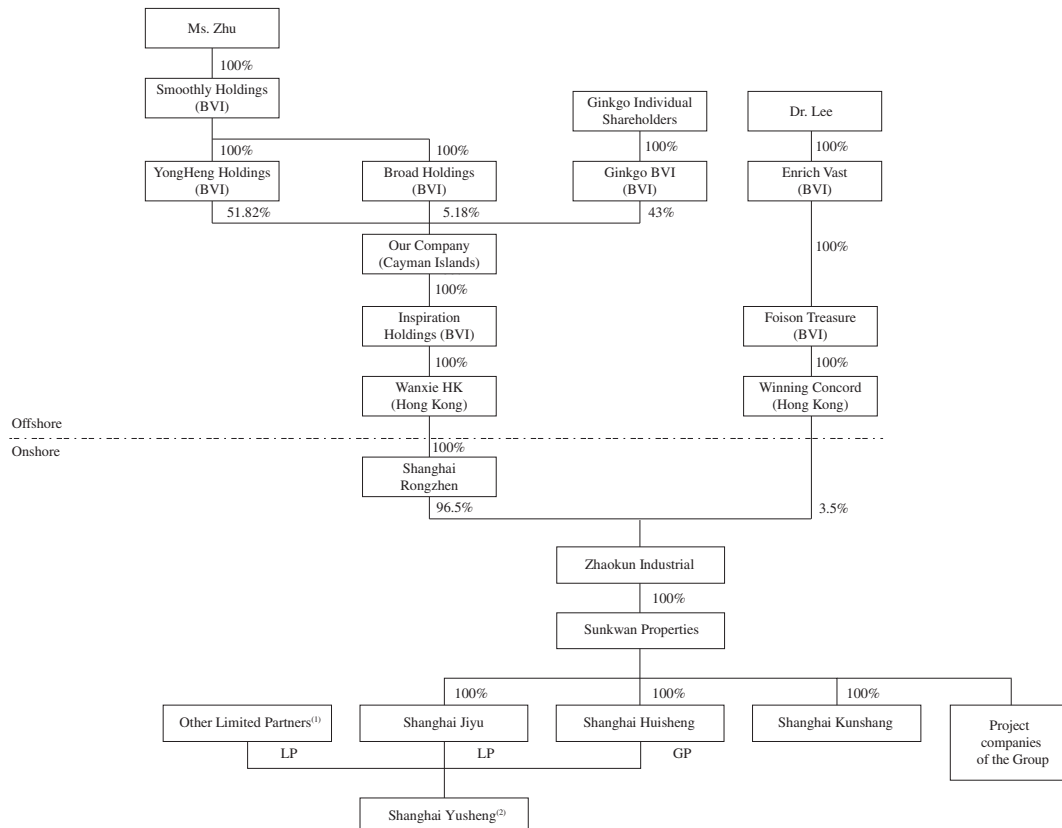
Step 4: Establishment of Shanghai Rongzhen by Wanxie HK

On October 31, 2018, Wanxie HK established Shanghai Rongzhen in the PRC as a wholly foreign-owned enterprise with an initial registered capital of RMB10,000,000, which will be fully paid up on or before October 10, 2038 in accordance with its articles of association. Upon its establishment, Shanghai Rongzhen was wholly owned by Wanxie HK.

Step 5: Acquisition of 96.5% equity interest in Zhaokun Industrial by Shanghai Rongzhen

Sanyou Partnership, Shirui Partnership, Ginkgo Gofar and Shanghai Rongzhen entered into a share transfer agreement on November 20, 2018, under which Shanghai Rongzhen acquired 96.5% of equity interests in Zhaokun Industrial from Sanyou Partnership, Shirui Partnership and Ginkgo Gofar for a consideration of RMB67,550,000, which was determined with reference to the then registered capital of Zhaokun Industrial of RMB70,000,000 at the time of the transfer. Upon completion of such transfer, the consideration of RMB67,550,000 was recognized as a decrease in merger reserve in 2018 and the consideration was settled in cash on March 19, 2019. Upon completion of such transfer, Zhaokun Industrial was owned as to 96.5% by Shanghai Rongzhen and 3.5% by Winning Concord.

The considerations of (i) RMB67,550,000 of the acquisition of 96.5% equity interest in Zhaokun Industrial by Shanghai Rongzhen and (ii) RMB750,000 of the acquisition of Shanghai Kunshang by Sunkwan Properties resulted in a decrease in merger reserve of RMB68,300,000 in 2018. Along with the consideration of RMB746,723,413.64 of the acquisition of Sunkwan Properties by Zhaokun Industrial, the considerations of the above acquisitions resulted in a total decrease in merger reserve of RMB815,023,413.64 in 2018.



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Notes:

- (1) Shanghai Yusheng was owned by other limited partners as to 71.69% by Gefei Asset Management Limited and 14.62% by Wuhu Gefei Asset Management Limited. Each of Gefei Asset Management Limited and Wuhu Gefei Asset Management Limited is an independent third party other than being shareholder of Shanghai Yusheng, and holds its equity interest in Shanghai Yusheng as security for trust financing.
- (2) Shanghai Yusheng was owned as to 13.68% by Shanghai Jiyu and 0.01% by Shanghai Huisheng.

Step 6: Share swap between Enrich Vast and our Company

On June 28, 2019, Enrich Vast transferred one share of US\$1.00 in Foison Treasure, representing all issued shares of Foison Treasure, to our Company in exchange for the issue and allotment of 78,750,000 Shares by our Company to Enrich Vast. Upon completion of the transfer, Enrich Vast held 3.50% equity interest in our Company.

As a result of the Reorganization, the respective number of Shares in our Company held by YongHeng Holdings, Broad Holdings, Ginkgo-BVI and Enrich Vast are as follows:

Name of Shareholder	No. of Shares	Shareholding
YongHeng Holdings	1,125,111,352	50.00%
Broad Holdings	112,501,148	5.00%
Ginkgo-BVI	933,637,500	41.50%
Enrich Vast	78,750,000	3.50%

ESTABLISHMENT OF FAMILY TRUST

For estate planning purposes, a discretionary trust named the Fulva Family Trust was established by Ms. Zhu (as the settlor) and Northern American Trust Company, LLC (as the trustee), for the benefit of Ms. Zhu and her family. On January 9, 2020, Smoothly Holdings transferred all shares in YongHeng Holdings to FULVA Holding. FULVA Holding is directly wholly-owned by Northern American Trust Company, LLC as the trustee of Fulva Family Trust.

SHARE INCENTIVE SCHEMES

[REDACTED] Share Option Scheme

We have conditionally adopted the [REDACTED] Share Option Scheme on [●], 2020. The principal terms of the [REDACTED] Share Option Scheme are summarized in the section headed “Appendix V — Statutory and General Information — D. Share Incentive Schemes — 1. [REDACTED] Share Option Scheme” in this document.

RSU Scheme

For the purpose of the RSU Scheme which was adopted on [●], 2020, on October 21, 2019, Smoothly Holdings transferred its entire equity interest in Broad Holdings (representing approximately 5.00% of the issued Shares held by Broad Holdings immediately before the completion of the [REDACTED]) to TCT (BVI) Limited, a company incorporated in the BVI with limited liability and wholly owned by Core Trust (the trustee of the RSU Scheme), at par. Broad Holdings will hold the Shares as nominee of the trustee for the benefit of any eligible employees that may be granted with any of such Shares under the RSU Scheme. The principal terms of the RSU Scheme are summarized in the section headed “Appendix V — Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme” in this document.

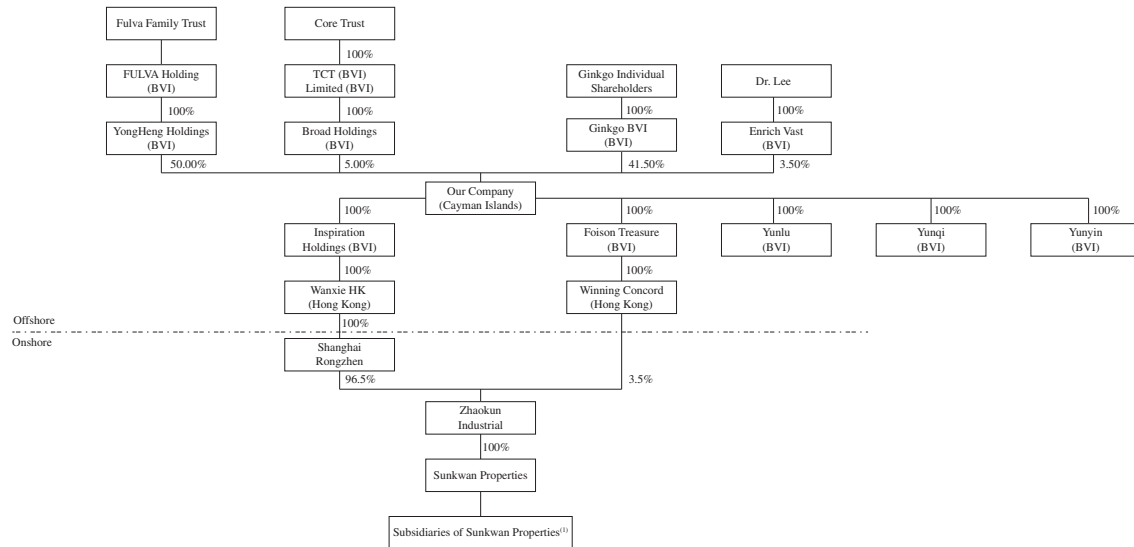
ESTABLISHMENT OF YUNLU, YUNQI AND YUNYIN

On March 3, 2020, our Company set up Yunlu, Yunqi and Yunyin, each of which is a business company incorporated in the BVI with limited liability and is authorized to issue a maximum of one shares of one class with a par value of US\$1.00 each, for funding arrangement(s) in the future.

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CORPORATE STRUCTURE IMMEDIATELY BEFORE THE [REDACTED]

Set forth below is our corporate structure upon completion of the Reorganization and immediately before the completion of the [REDACTED]:



Note:

- (1) Please see the section headed “Accountants’ Report” in Appendix I for further details and particulars of our principal subsidiaries, joint ventures and associates.

[REDACTED] INVESTMENT

Considering the prospect of our business, on October 26, 2018, Winning Concord acquired 3.5% of the equity interest in Zhaokun Industrial through capital injection. The total consideration was RMB51,021,056.45, which was determined with reference to Zhaokun Industrial’s then registered capital of RMB67,550,000, its capital reserve and the shareholders’ entire equity interest valuation of Sunkwan Properties (a direct wholly-owned subsidiary of Zhaokun Industrial) of RMB746,723,400 as of September 30, 2018 as appraised by an independent asset valuer after arm’s length negotiations between the parties. At the time of the [REDACTED] investment, Winning Concord was wholly owned by Foison Treasure, and Foison Treasure was wholly owned by Enrich Vast, which in turn was wholly owned by Dr. Lee. Upon completion of the [REDACTED] investment, Winning Concord became interested in 3.5% equity interest in Zhaokun Industrial. On June 28, 2019, Enrich Vast transferred one share of US\$1.00 in Foison Treasure, representing all the issued shares of Foison Treasure, to our Company in exchange for the issue and allotment of 78,750,000 Shares by our Company to Enrich Vast. Details of Dr. Lee’s [REDACTED] investment are set forth below:

Name of investor	Dr. Lee Siew Kim, Jean
Amount of consideration paid	HK\$58,249,766.58 (as agreed by the parties as the equivalence of RMB51,021,056.45)
Basis of determination of the consideration	Zhaokun Industrial’s then registered capital of RMB67,550,000, its capital reserve and the shareholders’ entire equity interest valuation of Sunkwan Properties (a direct wholly-owned subsidiary of Zhaokun Industrial) of RMB746,723,400 as of September 30, 2018 as appraised by an independent asset valuer
Number of issued Shares held as of June 28, 2019	78,750,000

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Number of issued Shares held immediately after the [REDACTED]	[REDACTED]
Payment date of consideration	February 20, 2019
Cost per Share paid ⁽¹⁾	HK\$1.11
Discount to the [REDACTED] ⁽²⁾	[REDACTED]%
Percentage of shareholding in our Company immediately before the [REDACTED]	[REDACTED]%
Approximate percentage of shareholding held in our Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme)	[REDACTED]%
Use of proceeds	For working capital and general corporate purposes. As of the Latest Practicable Date, the proceeds from the [REDACTED] investment had been fully utilized
Strategic benefits	Our Directors are of the view that our Group can benefit from the [REDACTED] investment as it demonstrates Dr. Lee’s confidence in the operations of our Group and serves as an endorsement of our Group’s performance, strength and prospects, which can assist us in broadening our shareholder base. With her experience in business management, our Directors also believe that Dr. Lee could provide valuable insights and advice on our business development and expansion

Notes:

- (1) The cost per Share paid is calculated based on [REDACTED] Shares held by Dr. Lee (through Enrich Vast) after the surrender of Shares on October 18, 2019. For details of surrender of Shares, please see the paragraph headed “— Surrender of Shares and Reduction of Share Capital” below.
- (2) The premium percentage is calculated based on an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED].

With respect to the [REDACTED] investment, Dr. Lee has not been granted any special rights in relation to our Company. Dr. Lee will not be subject to any [REDACTED] after [REDACTED].

Information regarding Enrich Vast

Enrich Vast is a business company incorporated in the BVI with limited liability on July 6, 2018 and is directly wholly owned by Dr. Lee, our [REDACTED] investor. Dr. Lee is the Michelin Chair in Leadership and Human Resources Management, Professor of Management and Co-Director of China-Europe International Business School (“CEIBS”) Centre for Family Heritage, who was looking for investment opportunities in the PRC. When Ms. Zhu was studying at CEIBS, Dr. Lee was her professor lecturing on business management. They became acquainted through business and social events in around 2009 and maintained regular contact thereafter. Considering the prospects of property market in the PRC and growth potential of our Group, Dr. Lee decided to invest in our Group with her personal resources as the source of funding. In around 2018, Dr. Lee and Ms. Zhu started to explore investment opportunities in our Group and Dr. Lee reached an agreement and concluded her investment opportunities in our Group as described above. Dr. Lee has personally invested in various residential properties

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located in Singapore and the PRC, which are mainly funded by her personal resources, for proceeds by re-sale of properties or rental income. To the best of our knowledge, information and belief, Dr. Lee was not involved in any business that competes or may compete with our business as of the Latest Practicable Date. Apart from such [REDACTED] investment, Dr. Lee and Enrich Vast did not have any role or involvement in the [REDACTED], or any other agreement, arrangement or understanding (whether verbally or in writing) with our Group, our Shareholders, our Directors, members of our senior management or any of their respective associates in relation to our Shares or the management of our Group.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any option which may be granted under the [REDACTED] Share Option Scheme), Dr. Lee (through Enrich Vast) will be interested in [REDACTED] Shares, representing approximately [REDACTED]% of the total number of our Shares in issue. As Enrich Vast will not be a [REDACTED] of our Company, and apart from the investment in our Company as disclosed in this document, each of Dr. Lee and Enrich Vast has no other relationship with our Group or any connected person (as defined under the Listing Rules) of our Company or any key business relationship with our Controlling Shareholders, hence the Shares held by Enrich Vast will be treated as part of the public [REDACTED] of our Company following [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

Surrender of Shares and reduction of share capital

To optimize the [REDACTED] structure, on October 18, 2019, a total of 750,000,000 fully paid Shares of our Company were surrendered by YongHeng Holdings, Ginkgo-BVI, Broad Holdings and Enrich Vast on a pro rata basis for nil consideration. As a result, there was no change in the respective shareholding percentages of YongHeng Holdings, Ginkgo-BVI, Broad Holdings and Enrich Vast in our Company. The surrendered shares were immediately canceled by our Company. As a result of the cancelation of the 750,000,000 Shares in our Company, the respective number of Shares in our Company held by YongHeng Holdings, Ginkgo-BVI, Broad Holdings and Enrich Vast are as follows:

Name of Shareholder	No. of Shares	Shareholding
YongHeng Holdings	750,075,000	50.00%
Ginkgo-BVI	622,425,000	41.50%
Broad Holdings	75,000,000	5.00%
Enrich Vast	52,500,000	3.50%

Public [REDACTED]

Following the completion of the [REDACTED], Enrich Vast will be interested in [REDACTED] Shares, representing [REDACTED]% of the number of our Shares in issue. As Enrich Vast will not be a [REDACTED] and therefore is not a connected person of our Company upon our [REDACTED], all shares held by Enrich Vast shall be counted as part of the public [REDACTED] after [REDACTED].

Confirmation by the Sole Sponsor

Based on its review of the relevant agreements, the Sole Sponsor is of the view that the terms of the [REDACTED] investment by Enrich Vast as described above are in compliance with (i) the Interim Guidance on the [REDACTED] investment issued by the Stock Exchange in October 2010 and as updated in March 2017 in the Guidance Letter GL29-12; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

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POST-TRACK RECORD PERIOD ACQUISITION

Hefei Xinbai Acquisition

On March 27, 2020, Hefei Yikun Property Co., Ltd. (合肥儀坤置業有限公司) (“**Hefei Yikun**”), an indirect wholly-owned subsidiary of our Company, entered into a cooperative development agreement with Hefei Juqi Property Co., Ltd. (合肥居齊置業有限公司) (“**Hefei Juqi**”), Fuyang Diabetes Hospital (阜陽糖尿病醫院) (“**Fuyang Hospital**”) and Anhui Xinghao Real Estate Marketing Planning Co., Ltd. (安徽興灝房地產營銷策劃有限公司) (“**Anhui Xinghao**”). Hefei Juqi is an indirect majority-owned subsidiary of our Company engaging in property development business, which is owned as to 70% by Hefei Yikun and 30% by Anhui Xinghao. Fuyang Hospital is a hospital specialising in the provision of diabetic medical services and rehabilitation services for the elderly and disabled persons. Anhui Xinghao is a company engaging in property development business. Pursuant to the cooperative development agreement, Hefei Juqi agreed to acquire 90% of the equity interest in Hefei Xinbai Medical Devices Co., Ltd. (合肥新柏醫療器械有限公司) (“**Hefei Xinbai**”) (an investment holding company) from its then sole shareholder, Fuyang Hospital, by way of capital injection. It was the intention of the parties to jointly develop the land parcel to be held by a project company which will be established and wholly-owned by Hefei Xinbai (the “**Hefei Project Company**”). The land parcel is located in Fuyang city in the PRC with a site area of approximately 67,333 sq.m. and will be divided into two zones for residential use and social welfare use, respectively. The total consideration of the Hefei Xinbai Acquisition was RMB9,000,000, which was determined with reference to the amount of the registered capital of Hefei Xinbai. To the best knowledge, information and belief of our Directors having made all reasonable enquiry, each of Fuyang Hospital and its ultimate beneficial owners was an independent third party of our Company and its connected persons.

Hefei Xinbai is a limited liability company established in the PRC on January 19, 2020 and an investment holding company. As of the date of its establishment, Hefei Xinbai had an initial registered capital of RMB1,000,000. Hefei Xinbai was wholly owned by Fuyang Hospital prior to the capital injection by Hefei Juqi. Upon capital injection by Hefei Juqi, Hefei Xinbai will become owned as to 90% by Hefei Juqi and 10% by Fuyang Hospital, and the registered capital of Hefei Xinbai will be increased to RMB10,000,000. As Hefei Xinbai had not been established as of December 31, 2019, no financial information for the year ended December 31, 2019 is available. According to the unaudited financial information of Hefei Xinbai, its total assets was nil as of April 30, 2020.

The consideration in the amount of RMB9,000,000 is expected to be paid up in cash by Hefei Juqi on or before December 31, 2020, utilizing internal resources of our Group. As of the Latest Practicable Date, our Company did not, directly or indirectly, hold any equity interest in Hefei Xinbai. Upon completion of the Hefei Xinbai Acquisition, which is expected to be in or about December 2020, our Company will be indirectly interested in 90% of the equity interest in Hefei Xinbai. Pursuant to the cooperative development agreement, Fuyang Hospital will hold 100% of the interest of the social welfare use zone of the land parcel to be held by the Hefei Project Company, while Hefei Juqi will not hold any interest in such social welfare use zone, hence Hefei Xinbai will be accounted for as an associate of our Company.

Reasons for and Benefits of the Post-Track Record Period Acquisition

Our Group is a comprehensive property developer in the PRC. The purpose of the post-Track Record Period acquisition described above was to obtain land use right to be held by Hefei Xinbai, so as to enable our Group to further develop property project and broadening its revenue base.

Having taken into account the above factors, our Directors believe that the terms of the post-Track Record Period acquisition described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

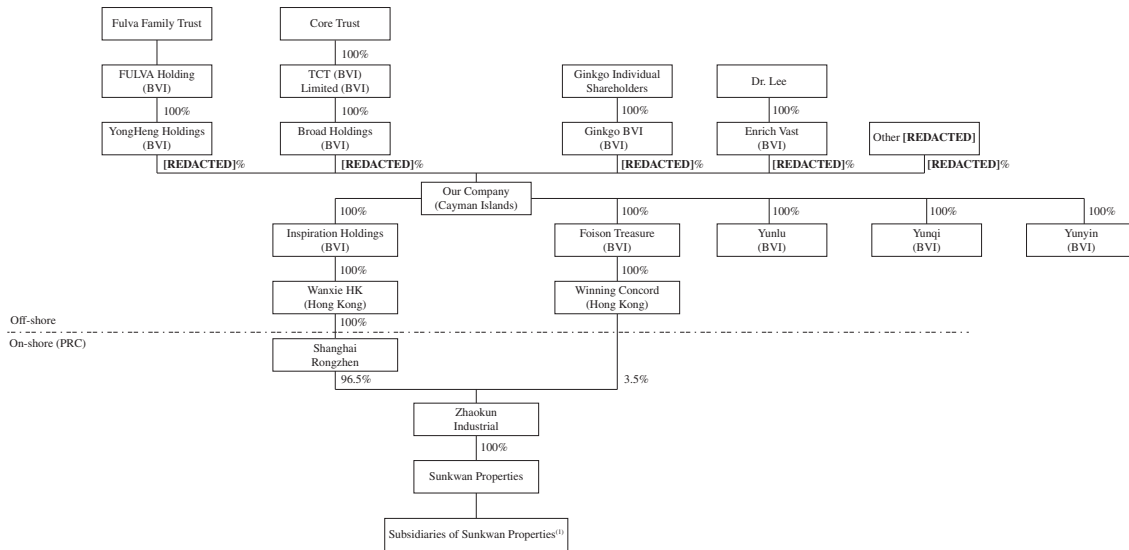
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Application for waiver

We have applied to the Stock Exchange[, and the Stock Exchange has granted to us,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to post-Track Record Period acquisition. For further details, please see “Waivers from Strict Compliance with the Listing Rules — Waiver from Strict Compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.”

CORPORATE STRUCTURE UPON COMPLETION OF THE [REDACTED]

Set forth below is our corporate structure upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme):



Note:

- (1) Please see the section headed “Accountants’ Report” in Appendix I for further details and particulars of our principal subsidiaries, joint ventures and associates.

PRC Regulatory Requirements

Our PRC Legal Advisers advised that the capital injection by Winning Concord to acquire 3.5% equity interest in Zhaokun Industrial in October, 2018 (the “**Capital Injection**”) is subject to the M&A Rules and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (the “**Circular 6**”) (外商投資企業設立及變更備案管理暫行辦法). Zhaokun Industrial has obtained the record-filing receipt for the incorporation of foreign-invested enterprises (外商投資企業備案回執) and the new business license for the Capital Injection pursuant to the M&A Rules and the Circular 6. After the Capital Injection, Zhaokun Industrial became a sino-foreign joint venture enterprise. For the acquisition of 96.5% equity interest in Zhaokun Industrial by Shanghai Rongzhen after the Capital Injection in November, 2018 (the “**Equity Transfer**”), our PRC Legal Advisers advised that since Zhaokun Industrial was converted into a sino-foreign joint venture enterprise, the Equity Transfer is the transfer in a foreign invested enterprise, and the M&A Rules were not applicable to the Equity Transfer. Instead, the Equity Transfer shall comply with the Rules on the Changes of Shareholding of Foreign-invested Enterprises Investor (外商投資企業投資者股權變更的若干規定) (the “**Rules**”) and the Circular 6. Zhaokun Industrial has obtained the record-filing receipts for the change of foreign-invested enterprises (外商投資企業變更備案回執) and the new business license for the Equity Transfer pursuant to the Rules and the Circular 6. Our PRC Legal Advisers are of the view that the Capital Injection has been completed in accordance with the M&A Rules and the Circular 6, and the Equity Transfer has been completed in accordance with the Rules and the Circular 6.

OUR HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our PRC Legal Advisers confirmed that all equity transfers and increases in registered capital in respect of the PRC companies in our Group as described above have obtained all necessary government approvals and permits, and the government procedures involved are in accordance with PRC laws and regulations. Our PRC Legal Advisers also confirmed that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Reorganization.

According to SAFE Circular No. 37 and Circular No. 13 promulgated by the SAFE, PRC residents are required to make registration regarding establishing or controlling offshore companies (the “**Initial Registration**”). Our PRC Legal Advisers confirmed that Ms. Zhu and the Ginkgo Individual Shareholders had all completed the Initial Registration on September 7, 2018.

To the best knowledge of the Directors, as of the Latest Practicable Date, our Company was not aware of any non-compliance with any applicable PRC laws and regulations which would have a material adverse effect on the value of our Group’s interest.

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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 residential 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 vision 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 “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. 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

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the demands of different customer groups with specific market positioning. In particular, 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 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 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 during the Track Record Period. We had 23, 36 and 49 property projects at various stages of development across five, 11 and 14 cities in China as of December 31, 2017 and 2018 and July 31, 2020, respectively. Our revenue amounted to RMB1,201.1 million, RMB6,847.4 million and RMB7,535.2 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 in the same period in 2020. Our profit for the year amounted to RMB34.6 million, RMB672.9 million and RMB676.9 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 in the same period in 2020.

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OUR STRENGTHS

We believe the following rising strengths contribute to our growth during the Track Record Period 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 residential property project in Shanghai in 2010, we have continued to strengthen our presence in Shanghai. As of July 31, 2020, we had 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 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 “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. Furthermore, our solid presence in Shanghai has contributed to our success

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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 0.2 million sq.m., properties under development with an aggregate GFA attributable to us of approximately 2.2 million sq.m. and properties held for future development with an aggregate GFA attributable to us of 0.4 million sq.m. All of our properties under development and properties held for future development are expected to be completed

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and delivered by 2023. 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, during the Track Record Period, 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 residential 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.

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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 ultra-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, 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.

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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 the Latest Practicable Date, 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 and RMB16.5 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.

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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, 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” by Bo’ao Real Estate Forum in 2019. 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 vision 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.

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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. For example, we plan to use the [REDACTED] from the [REDACTED] for the construction and development of our current property projects, namely Ningbo • Cixi Gracious Mansion, Changzhou • Mindcloud Peakview and Foshan • Sunkwan Lakeview Seasons. Additional funds from the [REDACTED] of the [REDACTED] will enable us to provide more resources to our existing property projects during their course of development and construction and give us opportunities to elevate our capacities on the overall product construction and development as well as comprehensive property project management. Benefiting from such improvements, we can further sustain our current growth, continue to expand our business and enhance our profitability. See “Future Plans and Use of Proceeds — [REDACTED]” for details. 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.

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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.

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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. To improve our debt structure and strengthen our balance sheets management, we intend to repay our short-term borrowings by part of the [REDACTED] from the [REDACTED], and to seek to repay some of the short-term borrowings and replace with long-term borrowings. The additional capital from the [REDACTED] of the [REDACTED] will result in a substantial increase in our total asset and net asset and will further lower our gearing ratio in the short term. Furthermore, such additional capital will increase our current ratio and quick ratio, which in turn will improve our continuous financing capacities. As a result, we will be in a better position to prevent and resist potential financial risks. See “Future Plans and Use of Proceeds — [REDACTED]” for details. 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.

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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 residential 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 ultra-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. Up to the Latest Practicable Date, we had 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

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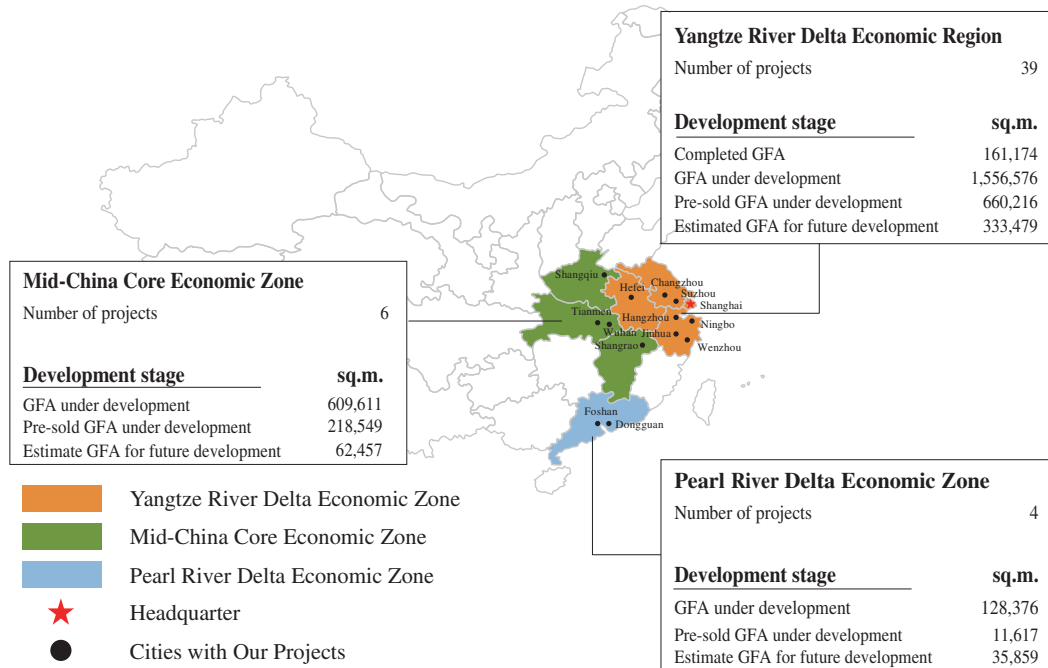
venture, and all of which were located in Shanghai. We intend to leverage our existing human and capital resources to increase our commercial property holdings and gradually expand our commercial property investments in the future.

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 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, during the Track Record Period, 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 and RMB1,408.2 million, and generated revenue from sales of properties of RMB1,169.1 million, RMB6,789.1 million, RMB7,449.2 million and RMB1,124.2 million in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. See “Financial Information — Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Sales of Properties” for more details.

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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 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 a minority equity interest, of which one such project company in Suzhou was acquired subsequent to the Track Record Period in May 2020. 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. Furthermore, the voting right arrangements shall be binding during the entire operation of the relevant project companies, and upon the transfer of the equity interests by the relevant business partners to third parties.

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Given that we can exercise control over those project companies under the voting right arrangements, such project companies were accounted for as our subsidiaries and consolidated into our financial statements using the same accounting policies applicable to our other subsidiaries during the Track Record Period in accordance with the IFRS. For details, please refer to Notes 1, 2.4 and 3 of the Accountants’ Report in Appendix I to this document for details. 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. The methodologies and basis of the assumptions adopted in the valuation of the property interests are the same for properties held by our subsidiaries (irrespective of whether they are under voting right arrangements or not) and those held by our joint ventures and associates. Please see “— Our Property Projects” below for more details on each of these 18 property projects and the property valuation report in Appendix III to this document for more details on the valuation methodologies of our properties.

During the Track Record Period, 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 and Changshu Gongzhu. The aggregate revenue during the Track Record Period from these three project companies amounted to RMB852.2 million, RMB6,770.4 million, RMB6,497.5 million and RMB1,094.8 million in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. See “Our History, Reorganization and Corporate Structure — Our Corporate Developments” and Note 33 of the Accountants’ Report in Appendix I to this document for details. We incurred a net loss attributable to non-controlling interests of RMB15.4 million in 2017, and recorded a net profit attributable to non-controlling interests of RMB518.4 million and RMB457.4 million and RMB137.4 million in 2018, 2019 and the four months ended April 30, 2020, respectively, primarily attributable to loss or profit of Sheshan Country Club and Shanghai Kunhui. See “Financial Information — Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Profit Attributable to Non-controlling Interests” for details. As of December 31, 2017, 2018 and 2019 and April 30, 2020, our non-controlling interests of the project companies under the voting right arrangements amounted to RMB21.3 million, RMB977.1 million, RMB1,628.1 million and RMB1,763.9 million, respectively, accounted for 3.3%, 53.8%, 58.9% and 60.4%, respectively, of our total equity. The general increase in the amount of non-controlling interests during the Track Record Period was mainly due to the increase in the number of the project companies under the voting right arrangements, which was two, seven, ten and ten, respectively, as of December 31, 2017, 2018 and 2019 and April 30, 2020. As of April 30, 2020, four out of the ten project companies under the voting right arrangements, including Sheshan Country Club, Shanghai Kunhui, Cixi Xingkun and Changzhou Qiansheng, accounted for approximately 86.8% of our total non-controlling interests of the project companies under the voting right arrangements as of the same date.

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Certain particulars of the 11 project companies for which we entered into voting right arrangements during the Track Record Period and 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 December 31,		As of April 30,		As of December 31,		As of April 30,		As of July 31 ⁽¹⁾ , 2020	As of July 31, 2020	
		2017	2018	2019	2020	2017	2018	2019	2020			
		(%)				(%)				(in sq.m.)		
Shanghai Kunhui Property Co., Ltd.	Shanghai • Sunkwan Cifi Villas	50.0	50.0	50.0	50.0	50.0	51.0	51.0	51.0	51.0	90,323	2.4
Shanghai Sheshan Country Club Co., Ltd.	Shanghai • Flourish projects ⁽³⁾	45.0	45.0	50.0	50.0	50.0	51.0	51.0	51.0	51.0	644,106	17.2
Changshu Gongzhu Property Co., Ltd.	Suzhou • Changshu Phoenix Garden	25.0	25.0	50.0	50.0	50.0	25.0	51.0	51.0	51.0	46,789	1.2
Cixi City Chonggui Property Development Co., Ltd.	Ningbo • Cixi Cloud Mansion	—	23.3	33.3	33.3	33.3	—	56.7	56.7	56.7	97,008	2.6
Cixi Xingkun Property Co., Ltd.	Ningbo • Cixi Riverview Mansion	—	34.0	34.0	34.0	34.0	—	51.0	51.0	51.0	130,776	3.5
Cixi Hengkun Property Co., Ltd.	Ningbo • Cixi Phoenix Mansion	—	30.0	30.0	30.0	30.0	—	60.0	60.0	60.0	131,225	3.5
Dongyang Kunyu Property Co., Ltd.	Jinhua • Dongyang Metropolis Seasons	—	51.0	38.3	38.3	38.3	—	75.0	75.0	75.0	139,744	3.7
Dongguan Herui Industrial Investment Co., Ltd.	Dongguan • Champagne Garden	—	25.0	25.0	25.0	25.0	—	51.0	51.0	51.0	86,518	2.3
Ningbo Yueyuan Property Co., Ltd.	Ningbo • Cixi Gracious Mansion	—	—	25.0	25.0	25.0	—	75.0	75.0	75.0	61,923	1.7
Changzhou Qiansheng Real Estate Development Co., Ltd.	Changzhou • Mindcloud Peakview	—	—	40.0	40.0	40.0	—	51.0	51.0	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:

- (1) Effective equity interest and voting rights held by the Group as of the Latest Practicable Date had remained unchanged since July 31, 2020.
- (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 during the Track Record Period in accordance with IFRS.
- (3) 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.

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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 established the voting right arrangements with the selected property developers whom we either had a history of business relationship or contact with, or those we encountered during the normal course of business activities, such as public auctions for land use rights. We had such arrangements with them during the Track Record Period in the cases when we acquired large parcels of land or when we expanded into new markets, and we partnered with property developers to jointly develop a property project so that we could leverage their network, market reputation and industry experience, or with some entities engaged in industries other than property developers in a limited cases where we can utilize their capital investment while they can receive desired return by leveraging our brand name, industry expertise and experience and other property development resources.

Although we held a minority 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. We were able to establish such arrangements with our business partners during the Track Record Period in the situations that (i) the land use rights of certain of our property projects were acquired by us through public auctions first and relevant business partners entered into voting right arrangements with us as they recognized the commercial value of such property projects; (ii) we were entrusted by business partners who established strategic relationship with us due to our recognized experience and operational capabilities in management of property projects; (iii) there were other property projects developed by us in the same region and our business partners can leverage our existing local management and operation to reach operational efficiency and economies of scale; or (iv) there were multiple property projects jointly developed by our business partners and us and we were entitled to operate relevant property projects pursuant to the project allocation arrangements between our business partner and us. Therefore, 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.

According to E-house, with respect to the operation of a jointly-developed property project, it is a common business arrangement that property developers in the PRC real estate market to entrust one property developer to be in charge of the operation of such property project. Under such business arrangement, the entrusted property developer generally has the full authority to manage the relevant property project. Property developers, including renowned property developers, which are not entrusted to operate relevant property project, will not interfere the day-to-day business operations of the project company.

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

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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.

In addition, such voting right arrangements do not affect the equity profit sharing between us and our business partners and help us reduce our capital outlay. Since the voting right arrangements give us the ability to exercise control over both financial and business decisions and daily operations of the relevant project companies, such project companies were accounted for as our subsidiaries and were consolidated into our financial statements during the Track Record Period in accordance with IFRS. Therefore, we believe such arrangements contributed to our business expansion and stable financial growth during the Track Record Period. Furthermore, during the Track Record Period and up to the Latest Practicable Date, 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. Our PRC Legal Advisers are of the view that the arrangements on proportion of voting right as set out in the articles of association and the voting right entrustment agreements are legally valid under PRC laws. 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. See “Risk Factors — Risks Relating to Our Business and Industry — We may be adversely affected by material issues that affect our cooperation with business partners.”

According to E-House, the real estate industry is capital intensive, highly competitive and highly fragmented; and cooperation with business partners for property development, which can reduce investment and operational risks, has become increasingly prevalent in the market.

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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. Our PRC Legal Advisers are of the opinion that 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 document 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.

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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 in this document 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.

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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.

Our classification of our properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may require multiple land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and other permits and certificates, which may be issued at different stages throughout the development process. Our classification of properties is also different from the classification of properties in the “Property Valuation Report” set out in Appendix III and the “Accountants’ Report” set out in Appendix I. The differences between our classification of properties and the classification of properties therein are set forth in the table below:

<u>Our Classification</u>	<u>Property Valuation Report</u>	<u>Accountants’ Report</u>
Completed projects or project phases	- Group I — Properties held for sale by the Group in the PRC - Group V — Properties held for investment by the Group in the PRC - Group VI — Properties held and occupied by the Group in the PRC	- Completed properties held for sale - Investment properties - Property, plant and equipment
Projects or project phases under development	- Group II — Properties held under development by the Group in the PRC - Group V — Properties held for investment by the Group in the PRC	- Properties under development - Investment properties
Projects or project phases held for future development	- Group III — Properties held for future development by the Group in the PRC - Group IV — Properties contracted to be acquired by the Group in the PRC - Group V — Properties held for investment by the Group in the PRC	- Properties under development - Prepayments, other receivables and other assets - Investment properties

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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:

	Number of Projects	Completed		Under Development		Future Development	Total Land Bank Attributable to Us ⁽²⁾⁽³⁾ (in sq.m.)	% of Total Land Bank Attributable to Us
		GFA	Leasable GFA (in sq.m.)	Pre-sold GFA (in sq.m.)	GFA Under Development (in sq.m.)	Estimated		
		Available for Sale ⁽¹⁾ (in sq.m.)				GFA for Future Development (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%
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%

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	Number of Projects	Completed		Under Development		Future Development	Total Land Bank Attributable to Us ⁽²⁾⁽³⁾ (in sq.m.)	% 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.)		
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	886,368	2,294,564	431,794	3,020,029	100.0%
Total Land Bank	49	287,889	68,900	1,290,101	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.

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

	GFA				Estimated GFA for Future Development	Total Land Bank Attributable to Us ⁽²⁾⁽³⁾	% of Total Land Bank Attributable to Us
	Available for Sale ⁽¹⁾	Leasable GFA	Pre-sold GFA	GFA Under Development	(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	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	886,368	2,294,564	431,794	3,020,029	100.0%
Total Land Bank	287,889	68,900	1,290,101	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.

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As of July 31, 2020, we had civil air defense areas with an aggregate GFA of approximately 223,642 sq.m., which represent unsaleable and unleaseable civil air defense areas completed and under development and are primarily used or to be used for car parks. Since in times of war, civil air defense areas may be used by the government at no cost, we may not be able to use such areas and such areas will no longer be a source of our revenue. Therefore, even though we may legally use the civil air defense areas as temporary car parks, we consider such properties as unsaleable and unleaseable GFA. On the other hand, our completed GFA for car parks, including GFA available for sale of approximately 126,632 sq.m. and leaseable GFA of approximately 10,074 sq.m. as of July 31, 2020, represents the sum of (i) completed GFA pre-sold as car parks but yet delivered, (ii) completed GFA unsold and available for sale as car parks, and (iii) leaseable GFA as car parks. See “— Our Property Projects — Land Bank and Property Portfolio” for details on the GFA breakdown of our property portfolio as of July 31, 2020 in terms of types of properties. Therefore, based on the abovementioned differences, there is no linkage between the civil air defense areas and our completed GFA for car parks. As part of our day-to-day operations, we monitor our business practice related to the Civil Air Defense Law to ensure such compliance. Our PRC Legal Advisers are of the view that we may legally use civil air defense areas after we have finished acceptance and examination upon completion and have obtained relevant approval and user license from the civil air defense supervising authority. See “Regulatory Overview — Civil Air Defense Property” for details.

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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⁾	Actual/Estimated Construction Commencement Date ⁽²⁾	Actual/Estimated Construction Completion Date ⁽³⁾	Actual/Estimated Pre-sale Commencement Date ⁽⁴⁾	Completed				Under Development				Future Development				Market Value to the Group	Reference to Property Valuation Report	
						Unsaleable GFA ⁽⁵⁾	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⁾	Development Cost Incurred as of April 30, 2020 ⁽¹⁴⁾	Estimated Future Development Cost as of April 30, 2020 ⁽¹⁵⁾			Group's Interest in the Project as of Valuation Date ⁽¹⁶⁾
Property Projects Developed by Our Subsidiaries																				
Residential property projects																				
1.	Shanghai • Sunkwan Mangrove Bay	26,951	May 30, 2014	Mar. 14, 2016	Dec. 19, 2014	8,290	52,218	—	—	60,508	—	—	—	—	—	962.1	—	100.0	N/A	N/A
2.	Shanghai • Sunkwan Cliff Villas ..	61,187	Aug. 6, 2015	Apr. 14, 2017	Oct. 8, 2015	9,317	81,006	—	—	90,323	—	—	—	—	—	1,463.8	—	50.0 ⁽¹⁷⁾	N/A	N/A
3.	Shanghai • Sunkwan Flourish Seasons	20,393	Jun. 12, 2016	Nov. 30, 2017	Nov. 30, 2016	3,899	37,958	6,891	—	48,747	—	—	—	—	—	699.2	—	50.0 ⁽¹⁷⁾	11.8	5
4.	Shanghai • Sunkwan Flourish Villas	54,426	Jun. 12, 2016	Dec. 27, 2017	Sep. 30, 2016	9,095	45,871	27,272	—	82,238	—	—	—	—	—	1,277.8	—	50.0 ⁽¹⁷⁾	35.5	6
5.	Shanghai • Sunkwan Flourish Peninsula	112,123	Jun. 19, 2017	May 14, 2020	Mar. 12, 2018	14,547	92,795	64,094	—	171,436	—	—	—	—	—	2,387.0	—	50.0 ⁽¹⁷⁾	74.8	7
6.	Shanghai • Future Land Flourish Jade	30,228	Apr. 29, 2016	Nov. 2, 2017	Sep. 6, 2016	3,400	64,774	12,606	—	80,779	—	—	—	—	—	1,183.2	—	50.0 ⁽¹⁷⁾	26.7	2
7.	Shanghai • Future Land Flourish Moon	48,297	Sep. 20, 2016	Aug. 6, 2018	Mar. 30, 2017	1,729	53,800	9,046	—	64,575	—	—	—	—	—	1,069.8	—	50.0 ⁽¹⁷⁾	14.5	3
8.	Shanghai • Future Land Flourish Peninsula	16,264	Jun. 16, 2017	Sep. 16, 2019	Sep. 11, 2018	5,522	18,696	3,245	—	27,463	—	—	—	—	—	415.7	—	50.0 ⁽¹⁷⁾	7.9	4
9.	Shanghai • Flourish Project 06-08	7,090	Aug. 15, 2020	Aug. 10, 2022	Dec. 25, 2020	—	—	—	—	—	—	—	—	—	10,808	71.2	129.2	50.0 ⁽¹⁷⁾	71.1	8
10.	Hangzhou • Sunkwan Majestic Seasons	55,202	Apr. 4, 2018	Jan. 25, 2021	Jan. 14, 2019	—	—	—	—	—	—	—	—	—	—	2,356.2	114.5	100.0	2,310.7	23

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Item	Projects	Site Area ⁽¹⁾	Actual/ Estimated Construction Commencement Date ⁽²⁾	Actual/ Estimated Construction Completion Date ⁽³⁾	Actual/ Estimated Pre-sale Commencement Date ⁽⁴⁾	Completed				Under Development				Future Development				Group's Interest in the Project as of Valuation Date ⁽¹⁶⁾	Market Value Attributable to the Group	Reference to Property Valuation Report
						Unsaleable GFA ⁽⁵⁾	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⁾	Development Cost Incurred as of April 30, 2020 ⁽¹⁴⁾	Estimated Future Development Cost as of April 30, 2020 ⁽¹⁵⁾			
		(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.)	(in RMB millions)	(in RMB millions)		(in RMB million)		
11.	Hangzhou • Mindcloud Imperial Garden	53,358	Sep. 11, 2020	Apr. 30, 2023	Dec. 19, 2020	—	—	—	—	—	—	—	—	164,611	—	2,310.8	52.0	N/A	41	
12.	Ningbo • Cixi Cloud Mansion	36,332	Jun. 27, 2018	May 29, 2020	Dec. 5, 2018	16,121	63,569	17,318	—	97,008	—	—	—	—	367.7	46.2	33.3 ⁽¹⁷⁾	41.6	16	
13.	Ningbo • Cixi Phoenix Mansion	43,483	Jul. 21, 2018	Dec. 30, 2020	Jan. 11, 2019	—	—	—	—	113,119	88,933	131,225	—	—	634.0	111.6	30.0 ⁽¹⁷⁾	254.5	17	
14.	Ningbo • Cixi Riverview Mansion	44,282	Aug. 15, 2018	Aug. 20, 2020	Dec. 17, 2018	—	—	—	—	105,962	84,817	130,776	—	—	1,034.2	90.7	34.0 ⁽¹⁷⁾	378.3	18	
15.	Ningbo • Cixi Gracious Mansion	28,002	Sep. 25, 2019	Oct. 28, 2021	May 27, 2020	—	—	—	—	43,178	4,265	61,923	—	—	351.5	209.7	25.0 ⁽¹⁷⁾	124.4	38	
16.	Jinhua • Dongyang Metropolis	28,585	Sep. 17, 2018	Sep. 30, 2020	Dec. 6, 2018	—	—	—	—	110,385	96,348	124,078	—	—	852.7	133.5	51.0	512.4	21	
17.	Jinhua • Dongyang Metropolis Seasons	54,097	Mar. 29, 2019	Dec. 30, 2021	Jun. 14, 2019	—	—	—	—	107,780	85,460	139,744	—	—	517.4	278.5	38.3 ⁽¹⁷⁾	338.2	22	
18.	Suzhou • Sunkwan Riverside Seasons	27,655	May 22, 2017	Jul. 17, 2019	Nov. 3, 2017	17,306	42,629	551.3	60,487	—	—	—	—	—	979.3	—	70.0	8.4	27	
19.	Suzhou • Lakeview Seasons	51,042	Aug. 26, 2020	Oct. 31, 2022	Nov. 05, 2020	—	—	—	—	91,804	—	125,510	—	—	—	942.5	35.0 ⁽¹⁷⁾	168.0	42	
20.	Suzhou • Changshu Phoenix Garden	28,054	Dec. 11, 2017	Nov. 15, 2019	Mar. 27, 2018	14,697	32,092	—	46,789	—	—	—	—	—	733.8	—	50.0 ⁽¹⁷⁾	N/A	N/A	
21.	Changzhou • Mindcloud Peakview	53,062	Jul. 22, 2019	Aug. 10, 2022	Sep. 29, 2019	—	—	—	—	146,735	58,586	198,486	—	—	1,597.9	885.1	40.0 ⁽¹⁷⁾	692.5	31	
22.	Dongguan • Champagne Garden	27,391	Jun. 7, 2018	Sep. 30, 2020	Sep. 18, 2018	—	—	63,596	64,890	15,413	855	21,628	—	—	653.2	66.2	25.0 ⁽¹⁷⁾	240.7	36	
23.	Foshan • Sunkwan Lakeview Seasons	24,808	Dec. 20, 2019	Jul. 24, 2021	May 28, 2020	—	—	—	—	51,505	10,762	67,384	—	—	457.5	175.6	100.0	616.1	37	
24.	Foshan • Mindcloud Mansion	10,617	Aug. 29, 2020	Mar. 28, 2022	Dec. 25, 2020	—	—	—	—	—	—	—	—	35,859	—	280.2	100.0	156.1	43	
25.	Hefei • Sunkwan Begonia Seasons	18,738	Feb. 7, 2018	Oct. 20, 2020	Jun. 6, 2018	—	—	—	—	60,744	43,311	74,867	—	—	1,108.2	107.1	100.0	1,183.5	33	

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Item	Projects	Site Area (1)	Actual/ Estimated Construction Commencement Date (2)	Actual/ Estimated Construction Completion Date (3)	Actual/ Estimated Pre-sale Commencement Date (4)	Completed				Under Development			Future Development			Development Cost Incurred as of April 30, 2020 (14)	Estimated Future Development Cost as of April 30, 2020 (15)	Group's Interest in the Project as of Valuation Date (16)	Market Value Attributable to the Group	Reference to Property Valuation Report
						Unsaleable GFA (5)	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.)	(in RMB millions)	(in RMB millions)	(%)	(in RMB million)		
26.	Shangrao • Sunkwan Riverside Seasons	85,527	Nov. 15, 2018	Oct. 30, 2022	Nov. 27, 2018	—	—	—	—	—	200,561	104,317	271,084	—	—	1,251.7	383.1	100.0	1,278.7	32
27.	Tianmen • Sunkwan Northlake Seasons	73,363	Aug. 16, 2018	Oct. 31, 2020	Nov. 21, 2018	—	—	—	—	—	87,814	65,147	102,682	—	—	422.1	158.1	100.0	481.1	34
Commercial property projects																				
28.	Shanghai • Sunkwan Red Commercial Plaza ...	4,154	Dec. 31, 2015	Nov. 7, 2016	Jul. 4, 2016	769	—	—	5,952	6,721	—	—	—	—	—	108.1	—	100.0	133.6	10
29.	Shanghai • Sunkwan Upper Commercial Plaza ...	31,933	Sep. 10, 2015	Oct. 18, 2016	Nov. 12, 2015	991	16,952	3,561	21,932	43,436	—	—	—	—	—	569.2	—	100.0	369.4	11
30.	Shanghai • Flourish Project 08-06 & 08-08	44,896	Mar. 5, 2021	Aug. 7, 2023	Sep. 2, 2021	—	—	—	—	—	—	—	—	—	158,060	858.0	953.5	50.0 (17)	559.2	9
31.	Shanghai • Sunkwan International Plaza Tower 3	1,543	—	—	Jun. 2, 2017 (18)	—	—	—	14,727	14,727	—	—	—	—	—	221.7	—	100.0	545.3	12
32.	Shanghai • Sunkwan International Plaza Tower 4	1,545	—	—	Jun. 2, 2017 (18)	—	—	—	14,805	14,805	—	—	—	—	—	222.9	—	100.0	547.0	13
33.	Shanghai • Sunkwan International Plaza Tower 5	2,674	—	—	Jun. 2, 2017 (18)	—	—	—	11,484 (19)	11,484	—	—	—	—	—	172.9	—	100.0	425.3	14
Sub-total		1,207,301				105,680	602,362	208,179	68,900	921,525	1,252,410	760,209	1,627,526	164,611	204,727	25,000.0	7,376		11,607	
Property Projects Developed by Our Joint Ventures and Associates																				
Residential property projects																				
34.	Shanghai • Mindcloud Mountainview (20) ..	24,287	Aug. 15, 2019	Jan. 31, 2022	Jul. 9, 2020	—	—	—	—	—	53,393	11,467	71,930	—	—	1,180.7	326.3	35.0	482.6	1
35.	Hangzhou • Joy Mountain	77,631	Mar. 19, 2018	Jul. 31, 2020	Aug. 13, 2018	—	—	—	—	—	152,466	152,195	231,562	—	—	1,901.3	697.5	12.0	326.5	24

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Item	Projects	Site Area ⁽¹⁾	Actual/Estimated Construction Commencement Date ⁽²⁾	Actual/Estimated Construction Completion Date ⁽³⁾	Actual/Estimated Pre-sale Commencement Date ⁽⁴⁾	Completed				Under Development				Future Development				Group's Interest in the Project as of Valuation Date ⁽¹⁶⁾	Market Value to Property Valuation Report	
						Unsaleable GFA ⁽⁵⁾	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⁾	Development Cost Incurred as of April 30, 2020 ⁽¹⁴⁾	Estimated Future Development Cost as of April 30, 2020 ⁽¹⁵⁾			
		(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.)	(in sq.m.)	(in RMB millions)	(in RMB millions)	(%)	(in RMB million)	
36.	Ningbo • Cixi Jade Mansion ...	113,857	Jul. 24, 2018	Sep. 25, 2020	Dec. 4, 2018	—	—	—	—	—	209,942	187,350	253,594	—	—	1,733.0	156.1	16.0	354.5	20
37.	Ningbo • Cixi Joy Mansion ...	36,658	Aug. 31, 2018	Nov. 20, 2020	May 16, 2019	—	—	—	—	—	66,932	25,535	84,704	—	—	675.4	75.4	28.0	207.1	19
38.	Wenzhou • Prosperous Seasons ...	25,721	Aug. 22, 2019	Feb. 28, 2022	Oct. 22, 2019	—	—	—	—	—	56,482	11,088	100,973	—	—	924.5	420.4	50.0	511.3	26
39.	Wenzhou • West Lakeside Seasons ...	19,967	Aug. 23, 2019	May 30, 2022	Apr. 20, 2020	—	—	—	—	—	44,613	9,893	85,977	—	—	734.7	373.7	50.0	388.3	25
40.	Wuhan • Sunkwan Sunpious Skyview ...	7,760	Apr. 3, 2019	Nov. 30, 2021	Aug. 31, 2020	—	—	—	—	—	23,043	—	35,588	—	—	520.1	61.8	70.0	375.3	39
41.	Suzhou • Sunkwan Mindcloud	50,141	Apr. 14, 2020	Oct. 25, 2022	Aug. 6, 2020	—	—	—	—	—	108,541	—	164,558	—	—	1,876.8	921.6	70.0	1,357.4	40
42.	Suzhou • Mindcloud Mountainview ...	34,648	Apr. 28, 2018	Jul. 6, 2020	Jun. 22, 2018	24,810	—	74,715	—	99,525	—	—	—	—	—	1,412.0	6.9	20.0	372.4	29
43.	Suzhou • Jade Seasons ...	34,683	Aug. 17, 2018	Oct. 30, 2020	Oct. 17, 2018	—	—	—	—	—	45,663	45,663	68,300	—	—	1,040.0	20.3	24.5	295.6	28
44.	Suzhou • Changshu Hyde Mansion ...	21,817	Jan. 24, 2018	Mar. 4, 2020	Apr. 28, 2018	39,031	—	4,995	—	44,027	—	—	—	—	—	398.2	—	33.0	25.0	30
45.	Foshan • Sunkwan Jiping Mountain No. 1 ...	22,109	Jun. 11, 2020	Mar. 31, 2022	Sep. 26, 2020	—	—	—	—	—	58,047	—	80,356	—	—	355.6	317.2	49.0	269.7	44
46.	Shangqiu • Sky Platinum ...	73,406	Oct. 16, 2018	Jan. 30, 2021	Dec. 20, 2018	—	—	—	—	—	178,420	98,168	238,825	—	—	645.8	499.6	50.0	415.7	35
47.	Shangqiu • Shining Seasons ...	42,964	May 22, 2020	Feb. 3, 2023	Aug. 30, 2020	—	—	—	—	—	104,044	—	145,271	—	—	208.5	423.9	63.0	145.3	45
48.	Shangqiu • Bluesky Seasons ...	31,470	Aug. 20, 2020	Jun. 7, 2023	Nov. 28, 2020	—	—	—	—	—	—	—	—	—	115,661	101.3	405.1	54.0	115.0	46
Commercial property projects																				
49.	Shanghai • Sunkwan Center ...	15,982	Apr. 24, 2018	Oct. 30, 2020	—	—	—	—	—	—	—	—	98,324	—	—	1,381.3	411.8	50.0	895.4	15
Sub-total ⁽²¹⁾						63,841	—	79,710	—	143,551	1,101,588	541,358	1,659,943	115,661	—	15,289.1	5,117.5	—	6,537.1	
Total Land Bank ⁽²²⁾		1,840,401				169,521	602,362	287,889	68,900	1,020,848	2,353,998	1,301,567	3,287,469	164,611	320,388	40,289.1	12,493.4	—	18,144.1	
Land Bank Attributable to Us ⁽²²⁾		1,439,192				123,522	602,362	224,771	68,900	1,129,966	1,640,341	890,381	2,294,564	164,611	267,184	29,967.1	9,602.7	—	14,241.3	

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Notes:

- (1) For projects or project phases for which we have obtained 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) Refers to the date construction commenced on the first building of the project or project phase, as set out in the construction work commencement permit; 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.
- (3) 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.
- (4) Refers to the date pre-sale commenced on the first building of the project or project phase, as set out in the pre-sale permits; for projects or project phases for which we have not obtained the first pre-sale permit, pre-sale commencement date is estimated by reference to our internal records and development plans.
- (5) Unsaleable GFA 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.
- (6) GFA sold and delivered refers to completed GFA sold and delivered.
- (7) 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.
- (8) Refers to total GFA completed as set out in the property completion certificates/property inspection reports.
- (9) 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.
- (10) Refers to GFA under development as set out in the signed pre-sold property purchase contracts.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) Development cost incurred refer to direct (unaudited) costs incurred for the relevant projects as of April 30, 2020, including paid/to be paid land premium of relevant land use permits, construction costs and capitalized interest.
- (15) Calculated based on the estimated development costs according to the development plans less the development costs recognized according to the development schedule.
- (16) Refers to the effective equity interest in the respective project companies contained in the property valuation report as of July 31, 2020.

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- (17) 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 during the Track Record Period in accordance with IFRS. See “Our History, Reorganization and Corporate Structure — Our Corporate Developments,” “— Our Property Projects — Voting Right Arrangements” above and Note 1 and Note 33 to the Accountants’ Report in Appendix I for details.
- (18) 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.
- (19) Inclusive of 4,931 sq.m. held and occupied by the Group as office spaces.
- (20) 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.
- (21) For projects held by our joint ventures and associates, total GFA prior to adjustment of our equity interest in the respective project.
- (22) 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.

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Property Projects Developed by Our Subsidiaries

Residential Property Projects

1. Shanghai • Sunkwan Mangrove Bay (上海•上坤紅樹灣)



Location	:	Shanghai
Scale	:	Total site area of 26,951 sq.m. with an aggregate GFA of 60,508 sq.m.
Property type	:	Residential project comprised of townhouses and low-rise apartment buildings
Project company	:	Sunkwan Properties (上坤置業有限公司)
Land premium or acquisition cost	:	RMB432.0 million
Land cost per site area⁽¹⁾	:	RMB16,029/sq.m.

Details of this project as of July 31, 2020 were as follows:

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GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas	Car Parks ⁽³⁾	Total
<i>(in sq.m.)</i>				
38,019	1,258	2,023	19,208	60,508

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 354 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.
- (3) Including civil air defense areas of 2,603 sq.m.

As of July 31, 2020, the project was completed with an aggregate GFA of 60,508 sq.m., which included a total saleable GFA of 52,218 sq.m., all of which had been sold and delivered.

2. Shanghai • Sunkwan Cifi Villas (上海•上坤旭輝墅)



Location	:	Shanghai
Scale	:	Total site area of 61,187 sq.m. with an aggregate GFA of 90,323 sq.m.
Property type	:	Residential project comprised of townhouses, houses and low-rise apartment buildings

BUSINESS

Project company	:	Shanghai Kunhui Property Co., Ltd. (上海坤輝置業有限公司)
Land premium or acquisition cost	:	RMB786.4 million
Land cost per site area⁽¹⁾	:	RMB12,852/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas	Car Park	Total
<i>(in sq.m.)</i>				
59,558	2,225	1,805	26,735	90,323

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 558 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.

As of July 31, 2020, the project was completed with an aggregate GFA of 90,323 sq.m., which included a total saleable GFA of 81,006 sq.m., all of which had been sold and delivered.

3. Shanghai • Sunkwan Flourish Seasons (上海•上坤樾山四季)



BUSINESS

Location	:	Shanghai
Scale	:	Total site area of 20,393 sq.m. with an aggregate GFA of 48,747 sq.m.
Property type	:	Residential project comprised of townhouses and low-rise apartment buildings
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB195.5 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Park	Total
<i>(in sq.m.)</i>				
32,596	—	455	15,696	48,747

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 274 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.

As of July 31, 2020, the project was completed with an aggregate GFA of 48,747 sq.m., which included a total saleable GFA of 44,849 sq.m., of which 37,958 sq.m. had been sold and delivered and the remaining portion available for sale of 6,891 sq.m. mainly consisted of car parks. According to our car park sales and purchase contracts, sales of car parks occur only after the relevant residential units have been sold and delivered to the property purchasers. As some of the residential units of this project were sold and delivered in the last quarter of 2019, the aforementioned car parks remained available for sale as of July 31, 2020.

BUSINESS

4. Shanghai • Sunkwan Flourish Villas (上海•上坤樾山美墅)



Location	:	Shanghai
Scale	:	Total site area of 54,426 sq.m. with an aggregate GFA of 82,238 sq.m.
Property type	:	Residential project comprised of townhouses
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB521.9 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Park</u>	<u>Total</u>
<i>(in sq.m.)</i>				
45,871	—	249	36,118	82,238

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 360 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.

BUSINESS

As of July 31, 2020, the project was completed with an aggregate GFA of 82,238 sq.m., which included a total saleable GFA of 73,143 sq.m., of which 45,871 sq.m. had been sold and delivered and the remaining portion available for sale of 27,272 sq.m. mainly consisted of car parks. According to our car park sales and purchase contracts, sales of car parks occur only after the relevant residential units have been sold and delivered to the property purchasers. As some of the residential units of this project were sold and delivered in the last quarter of 2019, the aforementioned car parks remained available for sale as of July 31, 2020.

5. Shanghai • Sunkwan Flourish Peninsula (上海•上坤樾山半島)



Location	:	Shanghai
Scale	:	Total site area of 112,123 sq.m. with an aggregate GFA of 171,436 sq.m.
Property type	:	Residential project comprised of townhouses
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB1,075.1 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

BUSINESS

Details of this project as of July 31, 2020 were as follows:

Residential ⁽²⁾	Commercial	GFA		Car Park	Total
		Ancillary Areas	(in sq.m.)		
93,507	—	1,150		76,779	171,436

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 673 completed saleable residential units, 668 of which had been sold and delivered and five available for sale, as of July 31, 2020.

As of July 31, 2020, the project was completed with an aggregate GFA of 171,436 sq.m., including a saleable GFA of 156,889 sq.m., of which 92,795 sq.m. had been sold and delivered and the remaining portion available for sale of 64,094 sq.m. mainly consisted of car parks. According to our car park sales and purchase contracts, sales of car parks occur only after the relevant residential units have been sold and delivered to the property purchasers. As some of the residential units of this project were sold but yet delivered as of July 31, 2020, the aforementioned car parks remained available for sale as of July 31, 2020.

6. Shanghai • Future Land Flourish Jade (上海•新城樾山璟里)



Location : Shanghai

Scale : Total site area of 30,228 sq.m. with an aggregate GFA of 80,779 sq.m.

BUSINESS

Property type	:	Residential project comprised of low-rise apartment buildings and townhouses
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB289.9 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Park	Total
<i>(in sq.m.)</i>				
54,437	—	926	25,416	80,779

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 496 completed saleable residential units, 495 of which had been sold and delivered and one available for sale as of July 31, 2020.

As of July 31, 2020, the project was completed with an aggregate GFA of 80,779 sq.m., which included a total saleable GFA of 77,379 sq.m., of which 64,774 sq.m. had been sold and delivered and the remaining portion available for sale of 12,606 sq.m. mainly consisted of car parks. According to our car park sales and purchase contracts, sales of car parks occur only after the relevant residential units have been sold and delivered to the property purchasers. As some of the residential units of this project were sold and delivered in the last quarter of 2019, the aforementioned car parks remained available for sale as of July 31, 2020.

BUSINESS

7. Shanghai • Future Land Flourish Moon (上海•新城樾山明月)



Location	:	Shanghai
Scale	:	Total site area of 48,297 sq.m. with an aggregate GFA of 64,575 sq.m.
Property type	:	Residential project comprised of townhouses
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB463.1 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Details of this project as of July 31, 2020 were as follows:

Residential⁽²⁾	Commercial	GFA		Car Park	Total
		Ancillary Areas			
		<i>(in sq.m.)</i>			
40,303	—	247		24,025	64,575

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 305 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.

BUSINESS

As of July 31, 2020, the project was completed with an aggregate GFA of 64,575 sq.m., which included a total saleable GFA of 62,846 sq.m., of which 53,800 sq.m. had been sold and delivered and the remaining portion available for sale of 9,046 sq.m. mainly consisted of car parks. According to our car park sales and purchase contracts, sales of car parks occur only after the relevant residential units have been sold and delivered to the property purchasers. As some of the residential units of this project were sold and delivered in the last quarter of 2019, the aforementioned car parks remained available for sale as of July 31, 2020.

8. Shanghai • Future Land Flourish Peninsula (上海•新城樾山半島)



Location	:	Shanghai
Scale	:	Total site area of 16,264 sq.m. with an aggregate GFA of 27,463 sq.m.
Property type	:	Residential project comprised of townhouses
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB156.0 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Park	Total
13,509	—	264	13,690	27,463

BUSINESS

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 126 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.

As of July 31, 2020, the project was completed with an aggregate GFA of 27,463 sq.m., which included a total saleable GFA of 21,941 sq.m., of which 18,696 sq.m. had been sold and delivered and the remaining portion available for sale of 3,245 sq.m. mainly consisted of car parks. According to our car park sales and purchase contracts, sales of car parks occur only after the relevant residential units have been sold and delivered to the property purchasers. As some of the residential units of this project were sold and delivered in the last quarter of 2019, the aforementioned car parks remained available for sale as of July 31, 2020.

9. Shanghai • Flourish Project 06-08 (上海•樾山項目06-08)

Location	:	Shanghai
Scale	:	Total site area of 7,090 sq.m. with a planned GFA of 10,808 sq.m.
Property type	:	Residential project comprised of houses
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB68.0 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Park</u>	<u>Total</u>
<i>(in sq.m.)</i>				
—	5,135	920	4,752	10,808

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 115 saleable residential units upon completion as of July 31, 2020.

BUSINESS

As of July 31, 2020, this project was held for future development and was expected, upon completion, to have an aggregate GFA of 10,808 sq.m.

10. Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)



Location	:	Hangzhou, Zhejiang province
Scale	:	Total site area of 55,202 sq.m. with a planned GFA of 178,140 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Hangzhou Kunxin Property Co., Ltd. (杭州坤鑫置業有限公司)
Land premium or acquisition cost	:	RMB1,548.4 million
Land cost per site area⁽¹⁾	:	RMB28,050/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Parks ⁽³⁾	Total
119,942	—	1,486	56,712	178,140

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 1,088 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 13,400 sq.m.

BUSINESS

Hangzhou • Sunkwan Majestic Seasons is located in Yuhang District, Hangzhou. The project features a unique Chinese garden architectural style, which earns its recognition in Hangzhou. As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 117,408 sq.m., all of which had been pre-sold as of July 31, 2020.

11. Hangzhou • Mindcloud Imperial Garden (杭州•雲棲宸園)

Location	:	Hangzhou, Zhejiang province
Scale	:	Total site area of 53,358 sq.m. with an aggregate GFA of 164,611 sq.m. with land use right not yet obtained as of July 31, 2020
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Hangzhou Jingshang Property Development Co., Ltd. (杭州景上房地產開發有限公司)
Land premium or acquisition cost	:	RMB1,445.2 million
Land cost per site area⁽¹⁾	:	RMB27,085/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
<i>(in sq.m.)</i>				
116,071	—	2,065	46,475	164,611

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 1,130 saleable residential units upon completion as of July 31, 2020.
- (3) Including civil air defense areas of 13,311 sq.m.

As of July 31, 2020, the project was held for future development with an aggregate GFA of 164,611 sq.m., the land use right of which was obtained in August 2020.

BUSINESS

12. Ningbo • Cixi Cloud Mansion (寧波•慈溪雲邸華府)



Location	:	Ningbo, Zhejiang province
Scale	:	Total site area of 36,332 sq.m. with a planned GFA of 97,008 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings and townhouses
Project company	:	Cixi City Chonggui Property Development Co., Ltd. (慈溪市崇桂房地產開發有限公司)
Land premium or acquisition cost	:	RMB79.1 million
Land cost per site area⁽¹⁾	:	RMB2,176/sq.m.

Details of this project as of July 31, 2020 were as follows:

		GFA		
Residential ⁽²⁾	Commercial	Ancillary Areas	Car Park	Total
(in sq.m.)				

65,211	7,039	2,782	21,975	97,008

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 534 completed saleable residential units, 470 of which had been sold and delivered and 64 available for sale as of July 31, 2020.

As of July 31, 2020, the project was with an aggregate GFA of 97,008 sq.m., which included a saleable GFA of 80,887 sq.m., of which 63,569 sq.m. had been sold and delivered.

BUSINESS

13. Ningbo • Cixi Phoenix Mansion (寧波•慈溪鳳鳴梧桐府)



Location	:	Ningbo, Zhejiang province
Scale	:	Total site area of 43,483 sq.m. with a planned GFA of 131,225 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Cixi Hengkun Property Co., Ltd. (慈溪恆坤置業有限公司)
Land premium or acquisition cost	:	RMB278.1 million
Land cost per site area⁽¹⁾	:	RMB6,394/sq.m.

Details of this project as of July 31, 2020 were as follows:

Residential⁽²⁾	Commercial	GFA			Total
		Ancillary Areas	Car Park		
		<i>(in sq.m.)</i>			
98,069	3,272	2,405	27,479		131,225

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 777 saleable residential units under development as of July 31, 2020.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 113,119 sq.m. As of July 31, 2020, we had pre-sold 88,933 sq.m., or 78.6% of the saleable GFA, of this project.

BUSINESS

14. Ningbo • Cixi Riverview Mansion (寧波•慈溪閱江府)



Location	:	Ningbo, Zhejiang province
Scale	:	Total site area of 44,282 sq.m. with a planned GFA of 130,776 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Cixi Xingkun Property Co., Ltd. (慈溪星坤置業有限公司)
Land premium or acquisition cost	:	RMB673.0 million
Land cost per site area⁽¹⁾	:	RMB15,197/sq.m.

Details of this project as of July 31, 2020 were as follows:

Residential⁽²⁾	Commercial	GFA		Car Parks⁽³⁾	Total
		Ancillary Areas	(in sq.m.)		
96,043	—	2,413		32,320	130,776

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 701 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 7,975 sq.m.

BUSINESS

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 105,962 sq.m. As of July 31, 2020, we had pre-sold 84,817 sq.m., or 80.0% of the saleable GFA, of this project.

15. Ningbo • Cixi Gracious Mansion (寧波•慈溪慈瀾府)



Location	:	Ningbo, Zhejiang province
Scale	:	Total site area of 28,002 sq.m. with a planned GFA of 61,923 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings and houses
Project company	:	Ningbo Yueyuan Property Co., Ltd. (寧波悅遠置業有限公司)
Land premium or acquisition cost	:	RMB215.8 million
Land cost per site area⁽¹⁾	:	RMB7,706/sq.m.

BUSINESS

Details of this project as of July 31, 2020 were as follows:

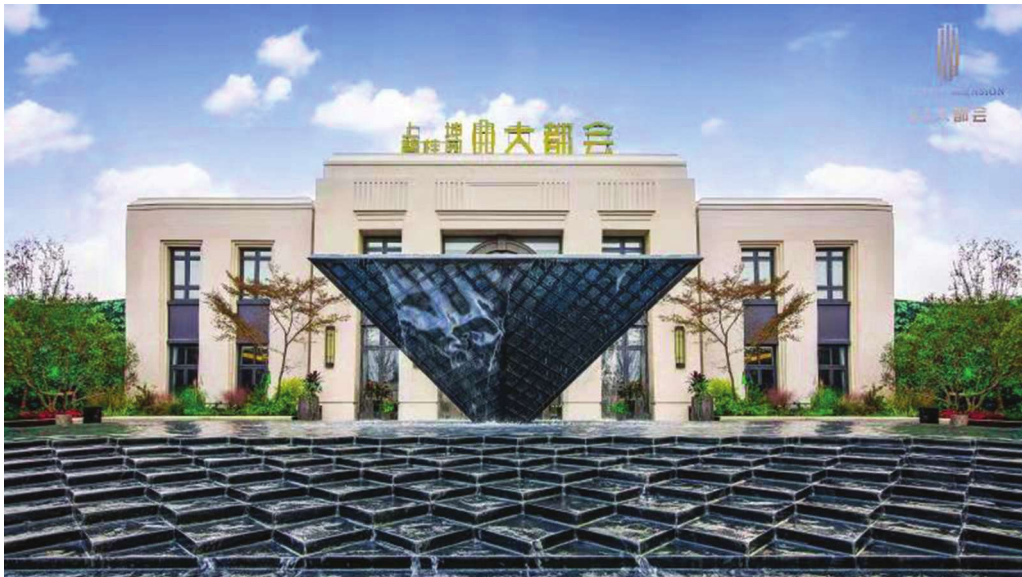
GFA				
Residential ⁽²⁾	Commercial	Ancillary	Car Parks ⁽³⁾	Total
		Areas		
(in sq.m.)				
35,047	1,961	8,182	16,733	61,923

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 232 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 3,392 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 43,178 sq.m. As of July 31, 2020, we had pre-sold 4,265 sq.m., or 9.9% of the saleable GFA, of this project.

16. Jinhua • Dongyang Metropolis (金華•東陽大都會)



Location : Jinhua, Zhejiang province

Scale : Total site area of 28,585 sq.m. with a planned GFA of 124,078 sq.m.

BUSINESS

Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Jinhua Jingkun Property Co., Ltd. (金華璟坤置業有限公司)
Land premium or acquisition cost	:	RMB567.0 million
Land cost per site area⁽¹⁾	:	RMB19,836/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
		<i>(in sq.m.)</i>		
95,838	3,019	905	24,316	124,078

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 849 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 8,125 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 110,385 sq.m. As of July 31, 2020, we had pre-sold 96,348 sq.m., or 87.3% of the saleable GFA, of this project.

BUSINESS

17. Jinhua • Dongyang Metropolis Seasons (金華•東陽都會四季)



Location	:	Jinhua, Zhejiang province
Scale	:	Total site area of 54,097 sq.m. with a planned GFA of 139,744 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Dongyang Kunyu Property Co., Ltd. (東陽坤宇置業有限公司)
Land premium or acquisition cost	:	RMB341.0 million
Land cost per site area⁽¹⁾	:	RMB6,303/sq.m.

BUSINESS

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Parks ⁽³⁾	Total
105,046	—	960	33,738	139,744

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 870 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 8,752 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 107,780 sq.m. As of July 31, 2020, we had pre-sold 85,460 sq.m., or 79.3% of the saleable GFA, of this project.

18. Suzhou • Sunkwan Riverside Seasons (蘇州•上坤水岸四季)



Location : Suzhou, Jiangsu province

BUSINESS

Scale	:	Total site area of 27,655 sq.m. with an aggregate GFA of 60,487 sq.m.
Property type	:	Residential project comprised of low-rise apartment buildings, houses and townhouses
Project company	:	Suzhou Kunxiang Property Co., Ltd. (蘇州坤翔置業有限公司)
Land premium or acquisition cost	:	RMB539.1 million
Land cost per site area⁽¹⁾	:	RMB19,494/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
<i>(in sq.m.)</i>				
43,181	—	1,165	16,140	60,487

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 374 completed saleable residential units, 370 of which had been sold and delivered and four available for sale as of July 31, 2020.
- (3) Including civil air defense areas of 4,093 sq.m.

As of July 31, 2020, this project was completed with an aggregate GFA of 60,487 sq.m., which included a total saleable GFA of 43,181 sq.m., of which 42,629 sq.m. had been sold and delivered and the remaining portion available for sale of 551 sq.m. had all been pre-sold but yet delivered.

BUSINESS

19. Suzhou • Lakeview Seasons (蘇州•望湖四季)

Location	:	Suzhou, Jiangsu province
Scale	:	Total site area of 51,042 sq.m. with a planned GFA of 125,510 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Suzhou Kunxin Property Development Co., Ltd. (蘇州坤信房地產開發有限公司)
Land premium or acquisition cost	:	RMB461.2 million
Land cost per site area⁽¹⁾	:	RMB9,036/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
<i>(in sq.m.)</i>				
91,804	—	1,888	31,818	125,510

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 988 saleable residential units upon completion as of July 31, 2020.
- (3) Including civil air defense areas of 7,105 sq.m.

As of July 31, 2020, the project was held for future development and was expected, upon completion, to have an aggregate GFA of 125,510 sq.m.

BUSINESS

20. Suzhou • Changshu Phoenix Garden (蘇州•常熟梧桐苑)



Location	:	Suzhou, Jiangsu province
Scale	:	Total site area of 28,054 sq.m. with an aggregate GFA of 46,789 sq.m.
Property type	:	Residential project comprised of houses
Project company	:	Changshu Gongzhu Property Co., Ltd. (常熟市共築房地產有限公司)
Land premium or acquisition cost	:	RMB479.6 million
Land cost per site area⁽¹⁾	:	RMB17,096/sq.m.

Details of this project as of July 31, 2020 were as follows:

Residential ⁽²⁾	Commercial	GFA		Car Parks ⁽³⁾	Total
		Ancillary Areas	(in sq.m.)		
32,092	—	1,483		13,214	46,789

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 189 completed saleable residential units, all of which had been sold and delivered as of July 31, 2020.
- (3) Including civil air defense areas of 3,066 sq.m.

As of July 31, 2020, the project was completed with an aggregate GFA of 46,789 sq.m., which included a total saleable GFA of 32,092 sq.m., all of which had been sold and delivered.

BUSINESS

21. Changzhou • Mindcloud Peakview (常州•雲峯)



Location	:	Changzhou, Jiangsu province
Scale	:	Total site area of 53,062 sq.m. with a planned GFA of 198,486 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Changzhou Qiansheng Property Development Co., Ltd. (常州乾晟房地產開發有限公司)
Land premium or acquisition cost	:	RMB1,267.5 million
Land cost per site area⁽¹⁾	:	RMB23,887/sq.m.

Details of this project as of July 31, 2020 were as follows:

Residential⁽²⁾	Commercial	GFA		Car Parks⁽³⁾	Total
		Ancillary Areas			
		<i>(in sq.m.)</i>			
131,326	15,409	6,012		45,739	198,486

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 1,133 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 7,300 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 146,735 sq.m. As of July 31, 2020, we had pre-sold 58,586 sq.m., or 39.9% of the saleable GFA, of this project.

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22. Dongguan • Champagne Garden (東莞•香檳花園)



Location	:	Dongguan, Guangdong province
Scale	:	Total site area of 27,391 sq.m. with a planned GFA of 21,628 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Dongguan City Herui Enterprise Co., Ltd. (東莞市和瑞實業有限公司)
Land premium or acquisition cost	:	RMB331.0 million
Land cost per site area⁽¹⁾	:	RMB12,084/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Parks⁽³⁾</u>	<u>Total</u>
<i>(in sq.m.)</i>				
—	855	3,199	17,574	21,628

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 574 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 3,016 sq.m.

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As of July 31, 2020, the project was under development and was expected, upon completion, to have an aggregate GFA of 64,890 sq.m., and a saleable GFA of 15,413 sq.m. As of July 31, 2020, we had pre-sold 855 sq.m., or 1.1% of the saleable GFA, of this project.

23. *Foshan • Sunkwan Lakeview Seasons* (佛山•上坤翰湖四季)

Location	:	Foshan, Guangdong province
Scale	:	Total site area of 24,808 sq.m. with a planned GFA of 67,384 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Foshan Kaifeng Business Consulting Co., Ltd. (佛山凱楓商務諮詢有限公司)
Land premium or acquisition cost	:	RMB351.7 million
Land cost per site area⁽¹⁾	:	RMB14,176/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Parks⁽³⁾</u>	<u>Total</u>
<i>(in sq.m.)</i>				
49,031	2,474	1,322	14,557	67,384

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 474 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 4,017 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 51,505 sq.m. As of July 31, 2020, we had pre-sold 10,762 sq.m., or 20.9% of the saleable GFA, of this project.

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24. Foshan • Mindcloud Mansion (佛山•雲棲公館)

Location	:	Foshan, Guangdong province
Scale	:	Total site area of 10,617 sq.m. with a planned GFA of 35,859 sq.m. as of July 31, 2020
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Foshan Dankun Property Co., Ltd. (佛山丹坤置業有限公司)
Land premium or acquisition cost	:	RMB461.2 million
Land cost per site area⁽¹⁾	:	RMB13,920/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas	Car Parks ⁽³⁾	Total
<i>(in sq.m.)</i>				
24,558	551	2,706	8,044	35,859

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 260 saleable residential units upon completion as of July 31, 2020.
- (3) Including civil air defense areas of 1,980 sq.m.

As of July 31, 2020, the project was held for future development and was expected, upon completion, to have an aggregate GFA of 35,859 sq.m.

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25. Hefei • Sunkwan Begonia Seasons (合肥•上坤海棠四季)



Location	:	Hefei, Anhui province
Scale	:	Total site area of 18,738 sq.m. with a planned GFA of 74,867 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Hefei Jiakun Property Co., Ltd. (合肥佳坤置業有限公司)
Land premium or acquisition cost	:	RMB729.4 million
Land cost per site area⁽¹⁾	:	RMB38,927/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Parks⁽³⁾</u>	<u>Total</u>
<i>(in sq.m.)</i>				
39,312	16,496	811	18,248	74,867

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 549 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 4,025 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 60,744 sq.m. As of July 31, 2020, we had pre-sold 43,311 sq.m., or 71.3% of the saleable GFA, of this project.

BUSINESS

26. Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季)



Location	:	Shangrao, Jiangxi province
Scale	:	Total site area of 85,527 sq.m. with a planned GFA of 271,084 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Shangrao Yiju Property Co., Ltd. (上饒市宜居置業有限公司)
Land premium or acquisition cost	:	RMB685.0 million
Land cost per site area⁽¹⁾	:	RMB8,009/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Parks ⁽³⁾	Total
198,716	1,846	4,677	65,845	271,084

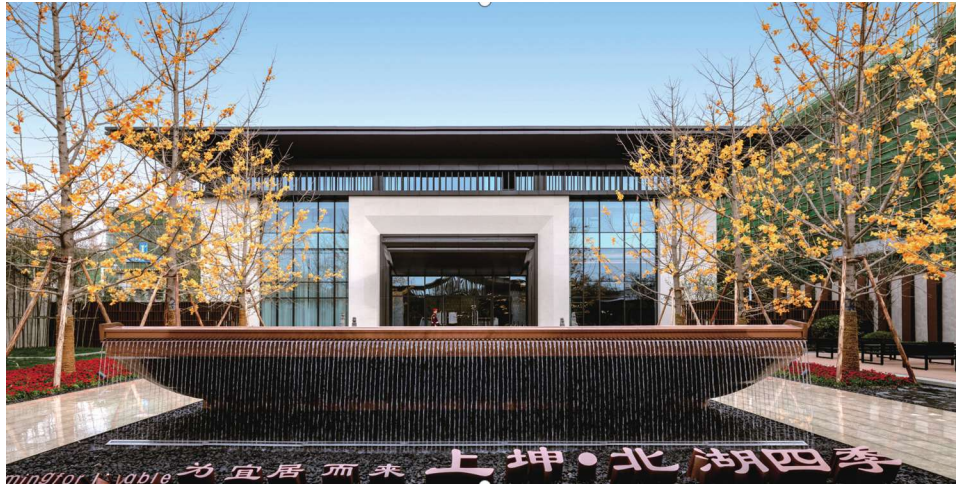
Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 1,748 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 12,316 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 200,561 sq.m. As of July 31, 2020, we had pre-sold 104,317 sq.m., or 52.0% of the saleable GFA, of this project.

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27. Tianmen • Sunkwan Northlake Seasons (天門•上坤北湖四季)



Location	:	Tianmen, Hubei province
Scale	:	Total site area of 73,363 sq.m. with a planned GFA of 102,682 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings, houses and townhouses
Project company	:	Tianmen Sunkwan Property Co., Ltd. (天門上坤置業有限公司)
Land premium or acquisition cost	:	RMB214.5 million
Land cost per site area⁽¹⁾	:	RMB2,924/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Parks ⁽³⁾	Total
86,873	941	1,146	13,722	102,682

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 663 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 4,446 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 87,814 sq.m. As of July 31, 2020, we had pre-sold 65,147 sq.m., or 74.2% of the saleable GFA, of this project.

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Commercial Property Projects

28. Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)



Location	:	Shanghai
Scale	:	Total site area of 4,154 sq.m. with an aggregate GFA of 6,721 sq.m.
Property type	:	Commercial project comprised of a commercial district shopping plaza
Project company	:	Shanghai Sunkwan Songfa Property Co., Ltd. (上海上坤淞發置業有限公司)
Land premium or acquisition cost	:	RMB58.6 million
Land cost per site area⁽¹⁾	:	RMB14,109/sq.m.
Occupancy rate⁽²⁾	:	80.3%

Notes:

(1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.

(2) calculated as leased and managed GFA divided by total leasable GFA as of July 31, 2020.

As of July 31, 2020, the project was completed with an aggregate GFA of 6,721 sq.m., of which 5,952 sq.m. were leasable.

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29. Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)



Location	:	Shanghai
Scale	:	Total site area of 31,933 sq.m. with an aggregate GFA of 43,436 sq.m.
Property type	:	Commercial project comprised of a commercial district shopping plaza
Project company	:	Shanghai Qianrong Property Co., Ltd. (上海乾崙置業有限公司) (“Shanghai Qianrong”)
Land premium or acquisition cost	:	RMB176.8 million
Land cost per site area⁽¹⁾	:	RMB5,537/sq.m.
Occupancy rate⁽²⁾	:	75.4%

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) calculated as leased and managed GFA divided by total leasable GFA as of July 31, 2020.

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As of July 31, 2020, the project was completed with an aggregate GFA of 43,436 sq.m., which included a saleable GFA of 20,513 sq.m. and a leasable GFA of 21,932 sq.m. As of the same date, 16,952 sq.m. of the saleable GFA of this project had been sold and delivered and the remaining portion available for sale of 3,561 sq.m. consisted part of the commercial units that were under construction upgrade and only became available for sale after construction upgrade was completed in November 2019.

30. *Shanghai • Flourish Project 08-06 & 08-08 (上海•樾山項目08-06 & 08-08)*

Location	:	Shanghai
Scale	:	Total site area of 44,896 sq.m. with a planned GFA of 158,060 sq.m.
Property type	:	Commercial project comprised of commercial spaces and office spaces
Project company	:	Sheshan Country Club (上海佘山鄉村俱樂部有限公司)
Land premium or acquisition cost	:	RMB430.5 million
Land cost per site area⁽¹⁾	:	RMB9,589/sq.m.

Note:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.

As of July 31, 2020, this project was held for future development and was expected, upon completion, to have an aggregate GFA of 158,060 sq.m., of which approximately 110,708 sq.m. will be leasable. We intend to hold all of the GFA of this project for investment purpose.

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31. Shanghai • Sunkwan International Plaza Tower 3 (上海•上坤國際廣場T3)



Location	:	Shanghai
Scale	:	Total site area of 1,543 sq.m. with an aggregate GFA of 14,727 sq.m.
Property type	:	Commercial project comprised of office spaces
Project company	:	Shanghai Longbi Property Management Co., Ltd. (上海龍弼物業管理有限公司)
Land premium or acquisition cost	:	Acquired the project company from an independent third party at a consideration of RMB221.7 million
Land cost per site area⁽¹⁾	:	RMB143,718/sq.m.
Occupancy rate⁽²⁾	:	99.1%

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) calculated as leased and managed GFA divided by total leasable GFA as of July 31, 2020.

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32. Shanghai • Sunkwan International Plaza Tower 4 (上海•上坤國際廣場T4)



Location	:	Shanghai
Scale	:	Total site area of 1,545 sq.m. with an aggregate GFA of 14,805 sq.m.
Property type	:	Commercial project comprised of office spaces
Project company	:	Shanghai Longlv Property Management Co., Ltd. (上海龍呂物業管理有限公司)
Land premium or acquisition cost	:	Acquired the project company from an independent third party at a consideration of RMB222.9 million
Land cost per site area⁽¹⁾	:	RMB144,281/sq.m.
Occupancy rate⁽²⁾	:	88.7%

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) calculated as leased and managed GFA divided by total leasable GFA as of July 31, 2020.

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33. Shanghai • Sunkwan International Plaza Tower 5 (上海•上坤國際廣場T5)



Location	:	Shanghai
Scale	:	Total site area of 2,674 sq.m. with an aggregate GFA of 11,484 sq.m.
Property type	:	Commercial project comprised of office spaces
Project company	:	Shanghai Longshu Property Management Co., Ltd. (上海龍樞物業管理有限公司)
Land premium or acquisition cost	:	Acquired the project company from an independent third party at a consideration of RMB172.9 million
Land cost per site area⁽¹⁾	:	RMB64,660/sq.m.
Occupancy rate⁽²⁾	:	95.1%

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) calculated as leased and managed GFA divided by total leasable GFA as of July 31, 2020.

Shanghai • Sunkwan International Plaza Tower 3, Tower 4 and Tower 5 are all located in Qibao ancient town in Minhang district, Shanghai and is well-connected to public transportation such as airport, railway and subway. The projects are commercial buildings featuring office spaces. We acquired the project companies from an independent third party at

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a consideration of RMB617.4 million on June 2, 2017. As of July 31, 2020, Shanghai • Sunkwan International Plaza Tower 3, Tower 4 and Tower 5 collectively comprised an aggregate GFA of 41,016 sq.m. and we held all of the GFA of this project for investment purpose. As of the Latest Practicable Date, 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.

Property Projects Developed by Joint Ventures and Associates

Residential Property Projects

34. Shanghai • Mindcloud Mountainview (上海•雲棲麓)

Location	:	Shanghai
Scale	:	Total site area of 24,287 sq.m. with a planned GFA of 71,930 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Shanghai Jingda Property Co., Ltd. (上海京大置業有限公司)
Land premium or acquisition cost	:	RMB996.7 million
Land cost per site area⁽¹⁾	:	RMB41,036/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Parks⁽³⁾</u>	<u>Total</u>
<i>(in sq.m.)</i>				
47,936	1,500	2,030	20,465	71,930

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 422 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 5,366 sq.m.

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As of July 31, 2020, the project was under development and was expected, upon completion, to have an aggregate GFA of 71,930 sq.m. and a saleable GFA of 53,393 sq.m. As of July 31, 2020, we had pre-sold 11,467 sq.m. of this project. 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. We commenced pre-sale of this project in July 2020.

35. Hangzhou • Joy Mountain (杭州•悦見山)



Location	:	Hangzhou, Zhejiang province
Scale	:	Total site area of 77,631 sq.m. with a planned GFA of 231,562 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings and townhouses
Project company	:	Hangzhou Yuerong Property Development Co., Ltd. (杭州越榮房地產開發有限公司)
Land premium or acquisition cost	:	RMB1,321.7 million
Land cost per site area⁽¹⁾	:	RMB17,026/sq.m.

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Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary	Car Parks ⁽³⁾	Total
		Areas		
(in sq.m.)				
148,838	4,160	4,844	73,720	231,562

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 1,472 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 18,895 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 152,466 sq.m. As of July 31, 2020, we had pre-sold 152,195 sq.m, or 99.8% of the saleable GFA, of this project.

36. Ningbo • Cixi Jade Mansion (寧波•慈溪瓏玥府)



Location : Ningbo, Zhejiang province

Scale : Total site area of 113,857 sq.m. with a planned GFA of 253,594 sq.m.

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Property type	:	Residential project comprised of townhouses, low- and high-rise apartment buildings
Project company	:	Cixi City Jingui Property Co., Ltd. (慈溪市金桂置業有限公司)
Land premium or acquisition cost	:	RMB1,020.0 million
Land cost per site area⁽¹⁾	:	RMB8,959/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
<i>(in sq.m.)</i>				
177,899	1,411	4,007	70,277	253,594

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 1,315 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 14,875 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 209,942 sq.m. As of July 31, 2020, we had pre-sold 187,350 sq.m., or 89.2% of the saleable GFA, of this project.

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37. Ningbo • Cixi Joy Mansion (寧波•慈溪檀悦府)



Location	:	Ningbo, Zhejiang province
Scale	:	Total site area of 36,658 sq.m. with a planned GFA of 84,704 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings and townhouses
Project company	:	Ningbo Guangkai Property Development Co., Ltd. (寧波光凱房地產開發有限公司)
Land premium or acquisition cost	:	RMB405.0 million
Land cost per site area⁽¹⁾	:	RMB11,047/sq.m.

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Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Parks ⁽³⁾	Total
57,577	—	1,521	25,607	84,705

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 426 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 4,850 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 66,932 sq.m. As of July 31, 2020, we had pre-sold 25,535 sq.m., or 38.2% of the saleable GFA, of this project.

38. Wenzhou • Prosperous Seasons (温州•潮啟四季)



Location : Wenzhou, Zhejiang province

Scale : Total site area of 25,721 sq.m. with a planned GFA of 100,973 sq.m.

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Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Wenzhou City Honglin Property Development Co., Ltd. (溫州市弘麟房地產開發有限公司)
Land premium or acquisition cost	:	RMB755.2 million
Land cost per site area⁽¹⁾	:	RMB29,362/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Park	Total
<i>(in sq.m.)</i>				
66,519	366	1,938	32,150	100,973

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 495 saleable residential units under development as of July 31, 2020.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 56,482 sq.m. As of July 31, 2020, we had pre-sold 11,088 sq.m., or 19.6% of the saleable GFA, of this project.

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39. Wenzhou • West Lakeside Seasons (温州•西湖四季)



Location	:	Wenzhou, Zhejiang province
Scale	:	Total site area of 19,967 sq.m. with a planned GFA of 85,977 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Wenzhou City Hongtu Property Development Co., Ltd. (温州市弘途房地產開發有限公司)
Land premium or acquisition cost	:	RMB616.1 million
Land cost per site area⁽¹⁾	:	RMB30,856/sq.m.

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Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas	Car Parks ⁽³⁾	Total
<i>(in sq.m.)</i>				
53,898	919	2,053	29,107	85,977

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 374 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 5,655 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 44,613 sq.m. As of July 31, 2020, we had pre-sold 9,893 sq.m., or 22.2% of the saleable GFA, of this project.

40. Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峯)

Location	:	Wuhan, Hubei province
Scale	:	Total site area of 7,760 sq.m. with a planned GFA of 35,588 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Wuhan Jialun Chengtai Business Commercial Co., Ltd. (武漢市嘉倫誠泰商貿有限公司)
Land premium or acquisition cost	:	RMB338.0 million
Land cost per site area⁽¹⁾	:	RMB43,559/sq.m.

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Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas	Car Parks ⁽³⁾	Total
<i>(in sq.m.)</i>				
23,043	—	915	11,630	35,588

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 100 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 1,341 sq.m.

Wuhan • Sunkwan Sumptuous Skyview is located in Wuchang district, Wuhan. This high-end project is representative of our Sumptuous series (S系), with a focus on aesthetics, luxury and comfort. As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 23,043 sq.m. We commenced pre-sale of this project in July 2020.

41. Suzhou • Sunkwan Mindcloud Timeview (蘇州•上坤雲棲時光)

Location	:	Suzhou, Jiangsu province
Scale	:	Total site area of 50,141 sq.m. with a planned GFA of 164,558 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Suzhou Kunyu Property Co., Ltd. (蘇州坤聿置業有限公司)
Land premium or acquisition cost	:	RMB1,765.0 million
Land cost per site area⁽¹⁾	:	RMB34,758/sq.m.

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Details of this project as of July 31, 2020 were as follows:

Residential ⁽²⁾	Commercial	GFA		Car Parks ⁽³⁾	Total
		Ancillary Areas	(in sq.m.)		
108,541	—	2,047		53,970	164,558

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 933 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 12,466 sq.m.

As of July 31, 2020, this project was under development and was expected, upon completion, to have a saleable GFA of 108,541 sq.m. We commenced pre-sale of this project in August 2020.

42. Suzhou • Mindcloud Mountainview (蘇州•雲棲麓)



Location : Suzhou, Jiangsu province

Scale : Total site area of 34,648 sq.m. with an aggregate GFA of 99,525 sq.m.

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Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Suzhou Heduo Property Co., Ltd. (蘇州和都置業有限公司)
Land premium or acquisition cost	:	RMB931.5 million
Land cost per site area⁽¹⁾	:	RMB26,884/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
		<i>(in sq.m.)</i>		
74,721	—	1,772	23,032	99,525

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 430 completed saleable residential units, all of which were available for sale as of July 31, 2020.
- (3) Including civil air defense areas of 7,999 sq.m.

As of July 31, 2020, the project was completed with an aggregate GFA of 99,525 sq.m., which included a saleable GFA of 74,715 sq.m. and all of which had been pre-sold but yet delivered.

BUSINESS

43. Suzhou • Jade Seasons (蘇州•翡翠四季)

Location	:	Suzhou, Jiangsu province
Scale	:	Total site area of 34,683 sq.m. with a planned GFA of 68,299 sq.m.
Property type	:	Residential property comprised of low-rise apartment buildings and townhouses
Project company	:	Suzhou Gaoxin Guangyao Wankun Property Co., Ltd. (蘇州高新光耀萬坤置地有限公司)
Land premium or acquisition cost	:	RMB685.4 million
Land cost per site area⁽¹⁾	:	RMB19,763/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Parks⁽³⁾</u>	<u>Total</u>
<i>(in sq.m.)</i>				
45,898	—	2,638	19,763	68,299

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 361 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 5,529 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 45,663 sq.m. and all of which had been pre-sold and yet delivered.

BUSINESS

44. Suzhou • Changshu Hyde Mansion (蘇州•常熟海德名築)



Location	:	Changshu, Jiangsu province
Scale	:	Total site area of 21,817 sq.m. with a planned GFA of 44,027 sq.m.
Property type	:	Residential project comprised of low-rise apartment buildings
Project company	:	Changshu Bixin Property Development Co., Ltd. (常熟必信房地產開發有限公司)
Land premium or acquisition cost	:	RMB206.8 million
Land cost per site area⁽¹⁾	:	RMB9,480/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential ⁽²⁾	Commercial	Ancillary Areas (in sq.m.)	Car Parks ⁽³⁾	Total
30,910	—	1,814	11,302	44,027

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including 194 saleable residential units, 167 of which had been sold and delivered and 27 available for sale as of July 31, 2020.
- (3) Including civil air defense areas of 2,763 sq.m.

As of July 31, 2020, the project was completed with an aggregate GFA of 44,027 sq.m., which included a total saleable GFA of 30,910 sq.m., of which 25,915 sq.m. had been sold and delivered.

BUSINESS

45. Foshan • Sunkwan Jinping Mountain No. 1 (佛山•上坤錦屏山壹號)

Location	:	Foshan, Guangdong province
Scale	:	Total site area of 22,109 sq.m. with a planned GFA of 80,336 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Foshan Hailu Property Co., Ltd. (佛山海路置業有限公司)
Land premium or acquisition cost	:	RMB350.1 million
Land cost per site area⁽¹⁾	:	RMB15,834/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
<i>(in sq.m.)</i>				
57,247	801	6,397	15,892	80,336

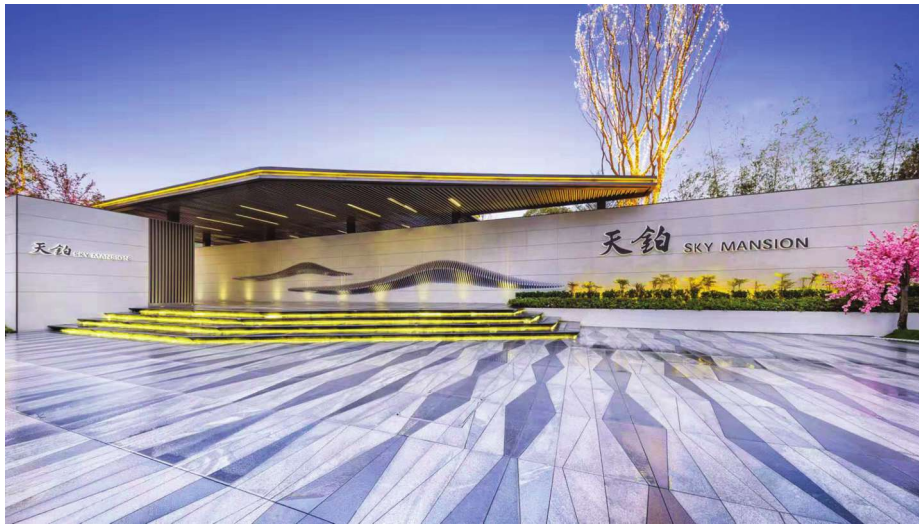
Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 551 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 4,130 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 58,047 sq.m. We expect to commence pre-sale of this project in March 2022.

BUSINESS

46. Shangqiu • Sky Platinum (商丘•天鉞)



Location	:	Shangqiu, Henan province
Scale	:	Total site area of 73,406 sq.m. with a planned GFA of 238,825 sq.m.
Property type	:	Residential project comprised of low- and high-rise apartment buildings
Project company	:	Henan Chenbo Property Co., Ltd. (河南宸博置業有限公司)
Land premium or acquisition cost	:	RMB340.3 million
Land cost per site area⁽¹⁾	:	RMB4,636/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Park</u>	<u>Total</u>
<i>(in sq.m.)</i>				

178,420	—	4,559	55,846	238,825

Notes:

(1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.

(2) Including an estimate of 1,414 saleable residential units under development as of July 31, 2020.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 178,420 sq.m. As of July 31, 2020, we had pre-sold 98,168 sq.m, or 55.0% of the saleable GFA, of this project.

BUSINESS

47. Shangqiu • Shining Seasons (商丘•光和四季)

Location	:	Shangqiu, Henan province
Scale	:	Total site area of 42,964 sq.m. with a planned GFA of 145,271 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Shangqiu Shangjia Property Co., Ltd. (商丘市上嘉置業有限公司)
Land premium or acquisition cost	:	RMB200.0 million
Land cost per site area⁽¹⁾	:	RMB4,654/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
Residential⁽²⁾	Commercial	Ancillary Areas	Car Parks⁽³⁾	Total
<i>(in sq.m.)</i>				
98,720	5,325	3,307	37,920	145,271

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 831 saleable residential units under development as of July 31, 2020.
- (3) Including civil air defense areas of 7,554 sq.m.

As of July 31, 2020, the project was under development and was expected, upon completion, to have a saleable GFA of 104,044 sq.m. We expect to commence pre-sale of this project in February 2023.

BUSINESS

48. Shangqiu • Bluesky Seasons (商丘•蔚來四季)

Location	:	Shangqiu, Henan province
Scale	:	Total site area of 31,470 sq.m. with a planned GFA of 115,661 sq.m.
Property type	:	Residential project comprised of high-rise apartment buildings
Project company	:	Shangqiu Shanghua Property Co., Ltd. (商丘市上華置業有限公司)
Land premium or acquisition cost	:	RMB200.0 million
Land cost per site area⁽¹⁾	:	RMB6,440/sq.m.

Details of this project as of July 31, 2020 were as follows:

GFA				
<u>Residential⁽²⁾</u>	<u>Commercial</u>	<u>Ancillary Areas</u>	<u>Car Parks⁽³⁾</u>	<u>Total</u>
<i>(in sq.m.)</i>				
86,701	—	1,400	27,560	115,661

Notes:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.
- (2) Including an estimate of 754 saleable residential units upon completion as of July 31, 2020.
- (3) Including civil air defense areas of 6,167 sq.m.

As of July 31, 2020, the project was held for future development and was expected, upon completion, to have an aggregate GFA of 115,611 sq.m.

BUSINESS

Commercial Property Projects

49. Shanghai • Sunkwan Center (上海•上坤中心)

Location	:	Shanghai
Scale	:	Total site area of 15,982 sq.m. with a planned GFA of 98,324 sq.m.
Property type	:	Commercial project comprised of car parks, office spaces, commercial spaces and a hotel
Project company	:	Shanghai Xinqian Property Co., Ltd. (上海心千置業有限公司)
Land premium or acquisition cost	:	RMB1,064.4 million
Land cost per site area⁽¹⁾	:	RMB66,600/sq.m.

Note:

- (1) Land cost per site area is calculated by dividing land premium or acquisition cost, as the case may be, by total site area.

Shanghai • Sunkwan Center is located in Minhang district, Shanghai. The project is a large multi-purpose commercial complex with retail and office spaces as well as hotel facilities. As of July 31, 2020, this project was under development and was expected, upon completion, to have an aggregate GFA of 98,324 sq.m. We intend to hold all of the GFA of this project for investment purpose.

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.

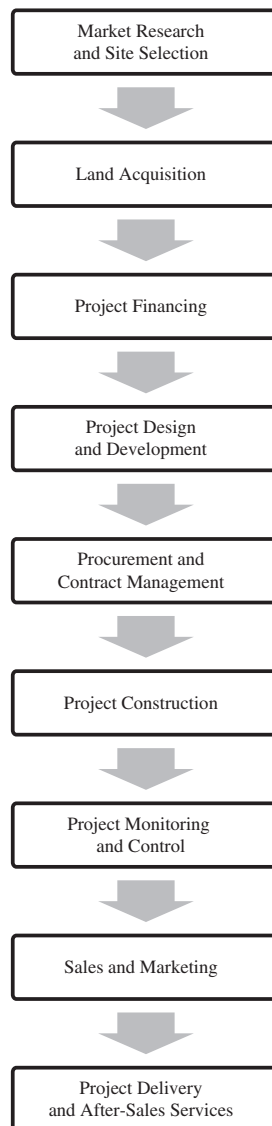
In terms of each potential project under consideration, we adopt three sets of project screening and evaluation criteria:

- 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;

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- 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:



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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;
- our existing plot ratio and potential development scale; and
- complexity of the land ownership structure.

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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

During the Track Record Period, 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 interest in companies that possess land use rights.

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, cultural tourism, entertainment and commodity housing developments must be granted by the government through public tender, auction or listing-for-sale. When deciding to whom the land use rights should be granted, the relevant authorities may consider not only the bidding price, but also the bidder’s real estate development experience, development track record, credit history, qualifications and development proposal in connection with their local zoning, urbanization and development plans.

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 building goodwill and 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, Jinhua • Dongyang Metropolis and Shanghai • Flourish projects, for which we received positive market feedback.

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. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for mixed-use complexes and 50 years for industrial and other properties.

BUSINESS

Project Financing

The real estate industry is capital intensive and financing is an important source of funding for property development. During the Track Record Period, 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. With respect to an individual project, the financing methods we may adopt generally depend on the status of the development of such project, namely (i) the front-end financing stage, (ii) the construction stage, and (iii) the pre-sale stage.

During the front-end financing stage, which represents the period from site selection and land acquisition to the issue of land use right certificate, we require capital mainly for the payments of the costs of acquisitions of land parcels or target project companies. As provided by the Guidance for Commercial Banks on Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引) (the “**Guidance**”), no loans shall be granted to projects which have not obtained requisite land use right certificates, construction land planning licenses, construction work planning permits and construction work commencement permits. See “Regulatory Overview — Real estate financing — Loans to real estate development enterprises” for further details. Therefore, the payments of costs of acquisitions of land parcels or project companies will mainly be financed by capital contribution from our internal funds (mainly derived from the pre-sales and sales delivered during the corresponding financial year).

During the project development stage (before pre-sales), which represents the period from the issue of land use right certificates to the grant of pre-sale permit, we would have obtained the requisite permits and license under the Guidance, and therefore, the construction and development costs of the projects will mainly be financed by our internal funds as well as bank borrowings, asset management and trust financing arrangements, which are usually secured by the relevant land use rights, as well as the surplus funds from the front-end financing stage.

During the project development stage (after pre-sales), which represents the period from the grant of pre-sales permit to the completion and delivery of the project, we generally launch pre-sale upon the receipt of pre-sale permits, and the construction and development costs of the project can be satisfied by the proceeds from the pre-sales according to the PRC laws and regulations. Subject to the requirement of adequate fund to be allocated to ensure the completion and delivery of the projects, some of the pre-sale proceeds may be used for the repayment of shareholders’ loans, bank borrowings, asset management and trust financing arrangements.

Upon completion of a project, the surplus funds of the pre-sales proceeds which exceeds the requirement for the completion of such project will be remitted back by the project company to its shareholders, including us, after the settlement of construction and development costs and its repayment obligations to other stakeholders, so as to satisfy the financing needs of our other projects. See “Financial Information — Indebtedness” for details of our financing and indebtedness.

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Our Directors confirm that, except as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not entered into any agreements or arrangements, whether verbally or in writing, with any of our contractors in respect of payments of the construction costs and/or project financing.

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, 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 more detailed architectural plans and design drawings based on our master planning and design specifications. We select these third-party architectural and design firms either by way of tender on a project-by-project basis, which requires such potential firms to provide a proposal with a fee quote, or through direct engagement for more standardized products based on our previous cooperation experience with certain architectural and design firms. In making our decision, we consider their proposed design concepts, former experience with major property developers, innovation capability, reputation for reliability and quality, our previous experience with them and the price of their proposed services. We currently maintain an average of more than two years of business partnership with our third-party architectural and design firms. We entered into strategic cooperation framework agreements with them in relation to interior, exterior and residential complex landscape design in 2019. 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.

BUSINESS

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. During the Track Record Period, 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. During the Track Record Period and up to the Latest Practicable Date, 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.

BUSINESS

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. The strategic general construction contractors we worked with during the Track Record Period had an established relationship with us for an average of more than two years. We typically reevaluate the contracts with such strategic contractors based on their performance and will assess whether to renew the contracts every six months.

We initially select our general construction contractors and subcontractors through a tender process in accordance with the relevant PRC laws and regulations. The tender process is managed by the cost contract department at our headquarters and relevant regional management and project company level. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, construction team in charge of the potential project, track record and price.

We engaged five, 13, 17 and 19 general construction contractors in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. The fluctuation in the numbers of contractors we engaged during the Track Record Period was primarily driven by changes in the amount of construction work required for our projects that are under development. All of such general contractors are independent third parties.

General contractors and subcontractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the general contractors and subcontractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules. Payments to such contractors are made in stages upon the completion of each construction milestones pursuant to the relevant contracts. In general, we pay the contractor 70% to 80% of the full contract price during the construction process by stage payments and usually pay up to approximately 90% to 95% of the total contract price upon the completion of the project and settlement, while holding back the remaining approximately 5% to 10% as retention fee for quality warranties purpose. The construction contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur as a result of not being able to meet contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. We may also agree to settle the retention fee by installments over the warranty period. However, we will also be able to claw back any portion of such retention fee already remitted to the contractor to cover any losses that we may incur that is greater than the unremitted portion. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the agreements, we will also be entitled to a pre-determined amount as a penalty payment and, in some cases, we will have the right to terminate the agreements.

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During the Track Record Period and up to the Latest Practicable Date, 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. Our Directors believe that the amount of retention fees we withhold under our construction contracts is in line with the industry practice in China and is sufficient to cover the construction warranties we provide to our customers under the sale and purchase agreements. Moreover, during the Track Record Period and up to the Latest Practicable Date, 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). During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delays in obtaining the aforesaid certificates and permits. As of the Latest Practicable Date, 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.

Moreover, we are also required to commence construction of our developments within the time prescribed by PRC laws and regulations or otherwise our lands may be regarded as “idle land” and as a result we may be subject to certain penalties and the idle land might be resumed without any compensation. Under the Measures on Disposing of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, “idle land” is defined as the granted state-owned construction land that (i) failed to commence construction within one year from the construction date undertaken in its land grant contract; or (ii) its construction has been suspended for over one year and the area under construction is less than one third of the total area ought to be under construction or the invested capital is less than 25% of the total amount of capital ought to be invested. During the Track Record Period and up to the Latest Practicable Date, we did not hold any idle land; therefore, we were not required to forfeit any land or pay any idle land fee by the government authorities.

BUSINESS

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. We adopt effective weekly project inspections, monthly regional inspections and quarterly group inspections to ensure that at delivery, 100% of our products pass our five quality acceptance requirements and standards, including elimination of all major and systematic issues, window water penetration resistance standard, actual measurement acceptance standard, floor and caisson water storage standard and independent household acceptance standard.

As of the Latest Practicable Date, we had approximately 100 employees dedicated to construction management and quality control. Our construction management and quality control teams at our project company, regional management and headquarters level are comprised of experienced engineers and construction technicians.

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.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, 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. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there were no non-compliance incidents relating to safety or accidents during the construction of our property projects that resulted in material injuries or fatalities of the construction workers. Our Directors further confirm that there was no material violation of currently applicable PRC labor and safety regulations nor were there any material employee safety issues involving us. During the Track Record Period and up to the Latest Practicable Date, 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.

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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 vision and 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, 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.

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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. To ensure better management and quality control, the regional management teams, instead of the project companies, manage the sales and marketing of individual property projects. 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. Furthermore, the interest of our in-house sales and marketing team is more aligned with us as compared to external sales agents. We provide competitive compensation packages to our sales and marketing personnel based on their performance.

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. During the Track Record Period and up to the Latest Practicable Date, 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.

There are risks associated with our compliance with relevant requirements with respect to marketing activities. To ensure our compliance with the relevant marketing laws and regulations, we currently require that all marketing materials to be released to be reviewed and approved by our in-house legal team beforehand. We also require third-party advertising agents that we engage with to strictly comply with the relevant laws and regulations when promoting our property projects. See “Risk Factors — Risks Relating to Our Business and Industry — 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.”

In 2017, 2018, 2019 and the four months ended April 30, 2020, our selling and distribution expenses were approximately RMB78.5 million, RMB161.2 million, RMB213.7 million and RMB52.0 million, respectively, accounting for approximately 6.5%, 2.4%, 2.8% and 4.5% of our total revenue during the same periods, respectively.

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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;

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- the progress of the construction should meet the local government’s requirements for pre-sale; and
- the pre-sale has been registered.

Our Directors confirm that, during the Track Record Period, 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.

Canceled contracted sales are sales transactions canceled after the down-payment and signing of pre-sale contracts. So far as our Directors are aware, canceled contracted sales during the Track Record Period were primarily due to personal reasons of the purchasers under exceptional circumstances and did not have a material adverse effect on our financial condition.

Pre-sale Proceeds

Under the current PRC laws, the deposit and use of pre-sale proceeds are restricted. See Regulatory Overview — Real Estate Transactions — Pre-sale of commodity properties” and “Risk Factors — Risks Relating to Our Business — 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.

Applicable laws and regulations in relation to pre-sale proceeds management at national level and municipal level

At the national level, the laws and regulations with respect to pre-sale proceeds management include the Pre-sales Measures, the Urban Real Estate Law and the Pre-sale Notice. In addition, under the Pre-sales Measures and the Pre-sale Notice, the local governments of the regions and/or cities are delegated and granted the authority to supervise on, and formulate the detailed implementation and requirements for, the management of pre-sale proceeds of the property projects located in the relevant regions or cities. The requirements in relation to the receipt and use of pre-sale proceeds under the applicable laws and regulations at municipal level vary from city to city. For details on the applicable laws and regulations in relation to pre-sale proceeds management at national level and municipal level, see “Regulatory Overview — Real Estate Transactions — Pre-sale of commodity properties.”

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Therefore, the legal regime in relation to the pre-sale proceeds management in the PRC is two-fold, including (i) the Pre-sales Measures and the Pre-sale Notice at the national level which set out the general principles and requirements; and (ii) the applicable laws and regulations at municipal level which set out more specific and comprehensive requirements. Particularly, the use of proceeds from the pre-sales of commercial properties is subject to regulatory supervision and approval of relevant local government authorities and their recognized entities upon fulfillment of various procedural requirements in accordance with local laws and regulations.

The selected banks that monitor the escrow accounts of the pre-sale proceeds of our property projects are primarily responsible for ensuring that the execution relating to the deposit of pre-sale proceeds follow relevant PRC laws and regulations regulating pre-sale proceeds. On the other hand, the relevant government authorities are the one competent to determine whether we are in compliance with relevant PRC laws and regulations regulating pre-sale proceeds. During the Track Record Period, we filed applications and obtained approvals to withdraw pre-sale proceeds from relevant supervised bank accounts in accordance with laws and regulations. Through the interviews conducted, the competent representatives of certain selected banks that monitor the escrow accounts of the pre-sale proceeds of our property projects confirmed that (i) we did not breach the requirements stipulated by the banks in relation to the escrow accounts; (ii) there was no negative comment regarding us from the banks in relation to the escrow accounts; and (iii) there was no dispute between the banks and us regarding the escrow accounts. Furthermore, we had conducted interviews with, or obtained confirmation from relevant government authorities, as advised by our PRC Legal Advisers to be the competent local government authorities, which confirmed that we had complied with the relevant laws and regulations with regard to the pre-sale proceeds or that we had not been found to be in violation of the relevant rules and regulations regulating the pre-sale proceeds. We intend to continue to fulfill any requirements set by the relevant government authorities and supervisory bodies with regard to the withdrawal and application of pre-sale proceeds in the future.

Permitted usage of pre-sale proceeds

At the national level, the Urban Real Estate Law, the Pre-sales Measures and the Pre-sale Notice set out the general principal for the use of pre-sale proceeds. Pursuant to the Urban Real Estate Law and the Pre-sales Measures, the proceeds from the pre-sales of commercial properties shall be used for the development and construction of the corresponding projects. In addition, pursuant to the Pre-sale Notice, pre-sale proceeds shall be ensured to be used in the construction of commercial residential projects and be applied to the relevant projects based on the construction schedule with consideration of sufficient funds to the completion and delivery of such projects. Generally, pre-sale proceeds will not be used in the payment of land acquisition costs for the relevant projects since such land acquisition costs shall be settled before the commencement of construction, which happens prior to pre-sale activities. Such national level laws and regulations have not set detailed standards and scope for determining whether a specific use of pre-sale proceeds is for the development and construction of the relevant projects and defer to local real estate administrative authorities to specify relevant

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standards for the local markets. Therefore, with respect to the use of pre-sale proceeds, a project company shall primarily follow the implementation rules promulgated by the local real estate administrative authorities at the provincial or city level.

In general, among the provinces and cities where we have property projects, the scope of permitted use of pre-sale proceeds for relevant project is not only limited to the construction cost of the project. Rather, the scope of the use of pre-sale proceeds set out in various implementation rules also includes relevant operation costs of the project company. In particular, in Zhejiang, pre-sale proceeds are classified into key escrow funds and general escrow funds. Pursuant to the relevant local implementation rule governing the use of pre-sale proceeds, key escrow funds are permitted to be used in the payment of construction costs, management expenses, sales expenses, finance costs, tax expenses, repayment of development loan of the project as well as other miscellaneous expenses, whereas the use of general escrow funds is not strictly restricted. In Dongguan, Guangdong province, relevant local implementation rules governing the use of pre-sale proceeds permit that the pre-sale proceeds to be used in the purchase of necessary construction materials and equipment, payment of construction costs and tax expenses. In Hefei and Tianmen, where pre-sale proceeds are classified into key escrow funds and general escrow funds, relevant local implementation rules governing the use of pre-sale proceeds permit that the key escrow funds to be used in the purchase of necessary construction materials and equipment, payment of construction costs and tax expenses, whereas the use of general escrow funds is not strictly restricted. Similarly, in Changshu, relevant local implementation rules governing the use of pre-sale proceeds permit that the key escrow funds of pre-sale proceeds to be used in construction and installation costs and residential facilities costs, whereas the use of general escrow funds is not strictly restricted. In Shangrao, relevant local implementation rules governing the use of pre-sale proceeds permit that the pre-sale proceeds to be used in the payment of construction costs, purchase of necessary construction materials and equipment, payment of design and supervision, tax expenses, contingency costs, mortgage deposit costs, and repayment of development loan of the project, as well as certain regular and small amount expenses. Although relevant local real estate administrative authorities have relatively different views on the scope of permitted use for pre-sale proceeds, they generally require project companies to submit application for the use of pre-sale proceeds and the relevant payments are subject to the review and approval from both the local real estate administrative authorities and selected banks that monitor the escrow accounts of the pre-sale proceeds.

During the Track Record Period, we had certain incidents related to pre-sale proceeds. See “— Compliance with Laws and Regulations — Non-compliance Incidents — Pre-sale incidents” for details.

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Payment Arrangements

Our customers can make the payment in lump sum by cash or by installments with mortgage financing. We typically ask our customers to pay a non-refundable deposit before entering into the sales or pre-sale contract. The deposit will be forfeited if the customer decides not to sign the formal sales or pre-sale contract. The deposit will be deducted from the purchase price if the customer later opts to settle the payment in full. Purchasers choosing to settle the purchase price by one lump sum payment will be required to fully settle the purchase price shortly after the execution of the sales contract. If purchasers choose to settle the purchase price by installments, we typically require such purchasers to pay 30% to 70% of the total purchase price shortly after the execution of the sales contract and settle the remaining amount by installments in accordance with the terms stipulated in the relevant sales contract.

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of approximately 30% to 70% of the purchase price upon entering into the sales or pre-sale contracts in accordance with the terms stipulated in the contract, depending on whether it is their first mortgage for residential properties, and at least 50% of the purchase price for commercial properties. The mortgage bank will normally pay the remainder of the purchase price within one to three months, depending on the approval process of relevant mortgage banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. If the remainder of the purchase price is not covered by the mortgage banks, these customers must pay us the outstanding balance of the purchase price.

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. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser and the certificate is registered in favor of the bank. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on the credit checks conducted by relevant banks. We typically require a higher initial payment to purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide guarantees for their 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 and RMB6,567.8 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents of default by purchasers under the formal sales contracts entered into at the pre-sale stage that have a material adverse impact on us. In accordance with the sales contracts, we have taken measures including negotiation and litigation to recover damages due to the purchasers’ breach of the formal sales contracts. Upon executing the formal sales

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contracts, customers are required to pay in full the total purchase price. As advised by our PRC Legal Advisers, generally the purchasers have no contractual right to terminate the formal sales contracts or request for refund of the purchase price entered into at the pre-sale stage due to the subsequent changes in the market price of the properties. Our Directors are therefore of the view that the likelihood that the customers would default under the formal sales contracts entered into at pre-sale stage is remote.

In case our customers default, we are entitled to forfeit the deposits paid by the purchaser and foreclose on the relevant property. We also have the right to terminate the sales contracts with the defaulting customer. If our customers default under the formal sales contracts entered into at pre-sale for properties pre-sold which were financed by bank mortgages, the mortgage bank may deduct the payment due from the deposited sum and require us, as the guarantor for the purchaser’s mortgaged loan, to repay all amounts due under the mortgages owed by the purchaser to the mortgage bank. Generally, upon the defaults of the purchaser, the mortgagee bank would initiate legal proceedings against the purchaser for the mortgage loan and apply the proceeds from sale of the mortgaged property by auction in the payment of amounts due under the mortgage. Accordingly, if the proceeds of the sale of the mortgaged property by auction are not enough to cover the amounts due under the mortgage, we, as the guarantor for the purchasers, would need to pay any short-fall to the mortgage bank. Upon fulfillment of our obligations under the guarantee, the mortgagee bank would then assign its rights under the mortgage to us and we would then have full recourse to the property. We believe that our guarantees on the mortgage loans of our purchasers are over-secured as the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, 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 “Regulatory Overview — Real Estate Transactions — 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. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sales.

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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 particular, we provide the following warranties, among others, for our properties:

- warranty as to the foundation and main structure of the properties for the period designed for reasonable use of the relevant properties;
- five-year warranty for defects relating to the waterproofing of property surfaces;
- five-year warranty for defects relating to the waterproofing of bathrooms, rooms and walls;
- two-year warranty with respect to the heater and air conditioner systems;
- two-year warranty with respect to the electricity, sewage pipes and equipment installment; and
- two-year warranty with respect to the refined decoration work.

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All warranty periods commence on the day of actual delivery of the relevant properties, or the day the properties are deemed as delivered in accordance with relevant contracts. We do not provide warranties with respect to defects that are caused by third parties or improper use and defects resulting from natural disasters. We usually provide quality warranties for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work. We do not maintain provisions with respect to warranties.

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. During the Track Record Period, 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. Our Directors confirm that, we had maintained a good relationship with our customers during the Track Record Period, and as of the Latest Practicable Date, we had not had any material disputes or received any material customer complaints.

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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, RMB13.7 million and RMB13.7 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 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.

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The following table set forth the basic information regarding our completed investment properties as of July 31, 2020 and their respective revenue contribution during the Track Record Period.

City	Project Name	Actual Construction Completion Date	Actual Total GFA Held for Investment (in sq.m.)	Occupancy Rate ⁽¹⁾				Revenue Contribution				Revenue per sq.m.			
				as of December 31,		as of April 30,		for the year ended December 31,		for the four months ended April 30,		for the year ended December 31,		for the four months ended April 30,	
				2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
				(%)				(In RMB thousands) (unaudited)				(RMB)			
Shanghai	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	October 18, 2016	21,932	100.0	100.0	100.0	75.4	5,539	5,640	7,378	1,622	538.0	475.6	622.2	418.3
Shanghai	Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街) (investment)	November 7, 2016	5,952	96.6	96.6	98.1	83.9	2,795	4,642	6,591	1,183	600.5	807.7	1,137.9	756.3
Shanghai	Shanghai • Sunkwan International Plaza Tower 3 (上海•上坤國際廣場三座)	June 2, 2017 ⁽²⁾	14,727	91.6	84.7	99.1	96.9	5,797	13,034	13,587	4,565	429.6	1,003.9	1,004.2	1,277.3
Shanghai	Shanghai • Sunkwan International Plaza Tower 4 (上海•上坤國際廣場四座)	June 2, 2017 ⁽²⁾	14,805	93.9	80.9	95.8	88.7	7,630	12,583	19,106	4,919	549.1	972.9	1,460.8	1,076.5
Shanghai	Shanghai • Sunkwan International Plaza Tower 5 (上海•上坤國際廣場五座)	June 2, 2017 ⁽²⁾	6,553	56.8	48.0	100.0	95.1	889	3,812	2,397	1,394	477.6	1,110.4	494.4	1,083.0
Total			63,969					22,650	39,711	49,059	13,683				

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.

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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.

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SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers and construction contractors. During the Track Record Period, we depended on a limited number of 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 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. Except for (i) Shanghai Maohuan Construction Material Co., Ltd. (上海貿幻建築材料銷售有限公司) (“**Shanghai Maohuan**”), which is ultimately owned by Ms. Zhu, our executive Director, president and chairman of our Board, and Mr. Lin, our non-executive director and one of our Controlling Shareholders and (ii) Cixi Xinda Construction Industrial Co., Ltd., which is a substantial shareholder of Cixi Chonggui Real Estate Co., Ltd., one of our non-wholly-owned subsidiaries, our other five largest suppliers during the Track Record Period were independent third parties ultimately owned by individuals or a local government. As of the Latest Practicable Date, 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. During the Track Record Period, we engaged a large number of general contractors and subcontractors other than the group companies. 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.

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The tables below set forth information about our five largest suppliers during the Track Record Period.

For the year ended December 31, 2017

Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(RMB in thousand)	(%)
Supplier A	A company that engages in equipment, decoration, landscape and conservation and renovation with a focus on construction	The supplier has a registered capital of RMB300 million. It is a national construction provider with yearly capacity of completion of construction for more than five million GFA. It is a top 20 construction provider in Shanghai since 2012	286,716	19.0
Supplier B	A company that engages in architecture design, conducting construction as general contractor, landscape construction and project management consulting	The supplier has a registered capital of RMB620 million. It is a top 30 construction provider in Shanghai with comprehensive construction capacity. It is also a national high-tech enterprise and a Building Information Modeling enterprise in Shanghai	186,451	12.4

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Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(RMB in thousand)	(%)
Supplier C	A company that engages in construction and decoration, landscape construction, architecture design and sales of construction materials	The supplier has a registered capital of RMB600 million, and more than 2,300 employees and more than 100 professional project management teams. It has special-grade general contracting for housing construction engineering and Grade A qualifications for architectural engineering design	146,109	9.7
Supplier D	A company that engages in construction, banking as well as international trade	The supplier has a registered capital of RMB333 million. It has an average of 700 projects per year and has completed over 850 super high-rise apartment buildings. In 2015, the supplier was honored as one of the Top 100 Enterprises in terms of competitiveness in Jiangsu construction industry by Jiangsu Construction Industry Association	106,302	7.1

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Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(RMB in thousand)	(%)
Supplier E	A company that engages in construction, electric equipment and system construction and maintenance	The supplier has a registered capital of RMB110 million. It currently has 350 people, including eight senior engineers, 36 engineers, and 22 first-level and second-level construction engineers	51,278	3.4

For the year ended December 31, 2018

Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(in RMB thousand)	(%)
Supplier A	A company that engages in equipment, decoration, landscape and conservation and renovation with a focus on construction	The supplier has a registered capital of RMB300 million. It is a national construction provider with yearly capacity of completion of construction for more than five million GFA. It is a top 20 construction provider in Shanghai since 2012	219,180	11.2

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Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(in RMB thousand)	(%)
Supplier C	A company that engages in construction and decoration, landscape construction, architecture design and sales of construction materials	The supplier has a registered capital of RMB600 million, and more than 2,300 employees and more than 100 professional project management teams. It has special-grade general contracting for housing construction engineering and Grade A qualifications for architectural engineering design	122,897	6.3
Supplier F	A company that engages in construction, such as public facility construction, and lighting engineering	Established in 1981, the supplier has a registered capital of RMB121 million. Through expansion, the supplier has built its operation network in Shanghai, Jiangsu and Zhejiang	119,449	6.1

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Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(in RMB thousand)	(%)
Supplier D	A company that engages in construction, banking as well as international trade	The supplier has a registered capital of RMB333 million. It has an average of 700 projects per year and has completed over 850 super high-rise apartment buildings. In 2015, the supplier was honored as one of the Top 100 Enterprises in terms of competitiveness in Jiangsu construction industry by Jiangsu Construction Industry Association	105,248	5.4
Supplier G	First-level general and professional contracting for housing construction engineering, building decoration, mechanical and electrical equipment installation, foundation engineering, and second-level general and professional contracting for municipal public works construction, anti-corrosion and thermal insulation engineering	The supplier has a registered capital of RMB118 million. It has completed projects with a total value of approximately RMB22.8 billion since 2002 and has been valued as a AAA-class integrity enterprise since 2005	97,563	5.0

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For the year ended December 31, 2019

Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(in RMB thousand)	(%)
Supplier H	A company that engages in constructions of buildings, electrical power system, landscape and public utility systems	The supplier has a registered capital of RMB100.8 million, and the capacity to build more than 40 million GFA during one year	226,019	8.9
Supplier A	A company that engages in the equipment, decoration, landscape and conservation and renovation with a focus on construction	The supplier has a registered capital of RMB300 million. It is a national construction provider with yearly capacity of completion of construction for more than five million GFA. It is a top 20 construction provider in Shanghai since 2012	200,705	7.9
Supplier I	A company that engages in building decoration and public works construction	The supplier has a registered capital of RMB128 million with a construction capacity of approximately 1.5 million GFA per year	191,955	7.5

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Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(in RMB thousand)	(%)
Supplier D	A company that engages in construction, banking as well as international trade	The supplier has a registered capital of RMB333 million. It has an average of 700 projects per year and has completed over 850 super high-rise apartment buildings. In 2015, the supplier was honored as one of the Top 100 Enterprises in terms of competitiveness in Jiangsu construction industry by Jiangsu Construction Industry Association	138,579	5.4
Supplier J	A company that engages in construction, electromechanical engineering and fire services construction	The supplier has a registered capital of RMB314 million. It is an outstanding constructor in the local market and also established a nationwide business presence. In 2018, it was included as a leading enterprise in the construction industry by the People’s Government of Dongyang Municipality	117,902	4.6

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For the four months ended April 30, 2020

Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(RMB in thousand)	(%)
Supplier F	A company that engages in construction, such as public facility constructions and lighting engineering	Established in 1981, the supplier has a registered capital of RMB121 million. Through expansion, the supplier has built its operation network in Shanghai, Jiangsu and Zhejiang	121,223	19.0
Supplier H	A company that engages in constructions of buildings, electrical power system, landscape and public utility systems	The supplier has a registered capital of RMB100.8 million, and the capacity to build more than 40 million GFA during one year	82,708	12.9
Supplier D	A company that engages in construction, banking as well as international trade	The supplier has a registered capital of RMB333 million. It has an average of 700 projects per year and has completed over 850 super high-rise apartment buildings. In 2015, the supplier was honored as one of the Top 100 Enterprises in terms of competitiveness in Jiangsu construction industry by Jiangsu Construction Industry Association	38,986	6.1

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Supplier	Principal Business	Scale of Operations	Procurement Amount by Us	
			(RMB in thousand)	(%)
Shanghai Maohuan	Shanghai Maohuan engages in the sales of construction materials	Established in 2018, Shanghai Maohuan has a registered capital of RMB10 million and its business covers the Yangtze River Delta Economic Region	30,436	4.8
Supplier K	A company that engages in building construction, public facility construction and property development and management	The supplier has a registered capital of RMB352 million. The supplier has expanded its business into over ten provinces and municipalities, including Shanghai, Jiangsu, Guangdong, Guangxi, Sichuan, Chongqing, Beijing, Tianjin, Heilongjiang and Inner Mongolia.	27,035	4.2

Ms. Zhu, our executive Director, president and chairman of our Board, and Mr. Lin, our non-executive director and one of our Controlling Shareholders, are controlling shareholders of Shanghai Maohuan, one of our five largest suppliers during the Track Record Period. Shanghai Maohuan was one of our suppliers for purchasing the construction materials. In order to manage our construction material suppliers and control our construction material costs, our Controlling Shareholders established Shanghai Maohuan to consolidate the construction material purchase channels for our Group. Under such system, Shanghai Maohuan first purchased construction materials from different suppliers for our Group and then sold such construction materials at the same purchase price to our Group. Through such arrangement, we have successfully maintained the purchase costs in relation to construction materials. However, as we changed our procurement model and has secured third party channels, which are able to offer us construction materials with a more favorable terms since March 2020, we subsequently ceased our business relationship with Shanghai Maohuan and do not plan to continue such transactions with Shanghai Maohuan going forward. In addition, our Directors confirm that all the transactions with Shanghai Maohuan were conducted in the ordinary course of our business and on an arm’s length basis and on fair and reasonable terms.

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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, during the Track Record Period, 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, and no single largest customer contributed for over 2.0% of our total revenue in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively.

Except for Ms. Zhu and Mr. Lin, none of our Directors, their associates or any Shareholders that, to the knowledge of our Directors, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers or five largest customers during the Track Record Period.

AWARDS AND RECOGNITIONS

The table below sets forth a summary of our key awards and certificates as of the Latest Practicable Date.

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十強)	China Real Estate Association, Shanghai E-House Real Estate Research Institute and China Real Estate Appraisal (中國房地產協會, 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
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

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Project/Recipient	Award/Recognition	Awarding Authority	Year
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
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 (樂居財經研究院)	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

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Project/Recipient	Award/Recognition	Awarding Authority	Year
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

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the same period, according to E-House, which enabled us to stand out from other candidates with a relatively slower growth rate. See “Industry Overview — Our Market Position” for details. 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 the Latest Practicable Date, we had 30 trademarks for our business operations in China. As of the same date, we have also filed 12 trademark registration applications in China and one trademark registration application in Hong Kong. In addition, we have registered the domain name of sunkwan.com.cn for our website and we have one copyright of artwork. See “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of the Group” for details.

As of the Latest Practicable Date, 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. See “Risk Factors — Risks Relating to Our Business and Industry — Current insurance coverage may not be adequate to cover all risks related to our operations.”

PROPERTIES FOR SELF-USE

As of the Latest Practicable Date, 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.

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LEASED PROPERTIES FOR SELF-USE

As of the Latest Practicable Date, we leased a number of properties with a total GFA of approximately 16,440 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.

As of the Latest Practicable Date, we failed to register 100 leases for properties with an aggregate GFA of approximately 10,057 sq.m., representing approximately 61.2% of the total GFA of our leased properties. These lease agreements are not registered primarily due to lack of cooperation from the landlord in registering lease agreements. Registration of lease agreements requires the landlords’ cooperation, including submitting their identity documentations and building title certificates to the relevant authorities.

We were advised by our PRC Legal Advisers that the absence of lease registration will not affect the validity or legality of the lease agreements or impede our use of the relevant properties but we might be ordered to rectify the issue and to pay a penalty of RMB1,000 to RMB10,000 per agreement if we fail to do so. The estimated total amount of penalty as a result of non-registration of lease agreements is approximately RMB100,000 to RMB1,000,000.

As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the leases described above. In the event that we are required by competent authorities to rectify the non-compliance in regard to lease registration requirements and we are unable to do so due to lack of cooperation from the landlords, we intend to terminate the non-compliant leases, find alternative locations nearby and relocate without causing any material disturbances. Given the nature of our business, we do not believe relocating from any of these leased properties would cause any material disruption to our operations.

Although we may incur additional relocation costs, our Directors believe that there will not be any material adverse impact on our business operation and financial condition. Going forward, we intend to take into consideration landlords’ willingness to provide assistance in registering our lease agreements when renewing our tenancies or entering into new tenancies.

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

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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 Latest Practicable Date, 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

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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. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. Our PRC Legal Advisers have confirmed that, based on the confirmation letters issued from the competent authorities, we complied with all applicable labor laws and regulations in the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date. We confirm that there were no material labor disputes, incidents, non-compliance or labor-related legal proceedings against us during the Track Record Period and up to the Latest Practicable Date.

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. See “Risk Factors — Risks Relating to Our Business and Industry — Compliance with PRC laws and regulations regarding environmental protection may result in substantial costs and delays in construction schedule.”

We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects. In 2017, 2018, 2019 and the four months ended April 30, 2020, we incurred environmental compliance costs of approximately RMB1.6 million, RMB1.2 million, RMB1.2 million and RMB0.9 million, respectively. We expect the annual compliance costs to be substantially similar going forward, assuming that there will not be any material changes in the environmental protection rules and regulations.

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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 Latest Practicable Date.

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.

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- Our Board and management at the Group level is responsible for determining our overall business and investment plans, preparing our annual financial budgets and final reports and formulating proposals for profit distributions, and is in charge of the overall risk control of our Group.
- 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. The responsible persons are specifically tasked with the review and approval decisions of such business development.
- 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

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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.

- 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.
- Our finance management center continues to monitor the financial condition of the entities in which we invest, including performing analysis and making financial forecasts on the periodic financial statements of the entity (if any), engaging professional third parties to conduct industrial research on the entity (if relevant changes are noted from the financial information of the entity), and reviewing other relevant information to evaluate our liquidity risks with respect to our long-term debt investments. In addition, our finance management center is required to involve and obtain inputs from our legal department with respect to any investment plan. Our legal department is responsible for evaluating the investment plan from the legal perspective and updating the internal departments if there are relevant changes to the applicable law relating to investment and financing. Our legal department also reports directly to the management at the Group level for any legal risks it detects.

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- 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. 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. 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. The sales and marketing personnel of the relevant project company also receive regular training before the commencement of pre-sales to ensure that they possess accurate and up-to-date information regarding the relevant property project.
- Our senior management team at our project companies is in charge of the daily business operations and risk monitoring of local projects, and is responsible for the supervision of different aspects of local operations on a daily basis as well as the supervision and approval of any material business decisions of respective project companies. We have formulated clear reporting lines between the management at our project company level and our Group level.
- Our senior management at the Group level is responsible for the monitoring and implementing our internal control policies and to adjust and improve our internal control policies based on changes relating to, among others, our operations, changes to relevant laws and regulations, industry conditions, organizational structure, issues discovered in internal review processes and internal risk assessments.
- Our senior management teams at our project companies as well as Group level are ultimately and collectively responsible for exercising general management oversight on compliance with our internal compliance policies and upholding compliance standards in our business operation in order to ensure effective overall risk control and establish a strong compliance culture as an integral part of our ethics. Such measures and processes include regular performance of internal audit and annual review of internal risk management and control mechanisms.

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WORKING CAPITAL MANAGEMENT

We manage our working capital under a centralized model and have adopted a two-tier management and organization structure to manage and oversee the use of our working capital. Under such structure, the finance management center at our headquarters manages and oversees the finance departments at each of our regional project companies. The finance management center is in charge of the overall management and implementation of our working capital policies, which includes the establishment of our budget management system, the guidance, coordination and standardization of the working capital management of our regional project companies, the formulation of the annual and quarter working capital management plan, the review and summary of the annual budget and the oversight and evaluation of the working capital management of each of our regional project companies.

On the other hand, the finance departments at each of our regional project companies are responsible for the execution of working capital management policies formulated by the finance management center and the formation and execution of working capital plan for their respective regional project companies. In particular, pursuant to our working capital management system, the finance departments at our regional project companies are required to submit monthly, quarterly and annual working capital management plan to the finance management center at our headquarters. The finance management center will review and adjust such plans by taking into consideration of various factors, including our overall business plan, project sales and pre-sale schedules and payment schedules in the relevant construction contracts, so as to ensure such plans are in line with the actual needs of our business.

To achieve sufficient working capital, we will continue to (i) monitor our cash outflow associated with the development and construction schedules and land acquisition plans by optimizing the payment schedules for land acquisition costs and construction fees to match our collection schedule for pre-sale proceeds and property sales plan through negotiation and the establishment of cooperation arrangements with our business partners, and (ii) meanwhile, improve our cash inflow associated with property sales by strengthening marketing efforts and enhancing payment collection from our customers with respect to the property sales and pre-sales and further exploring to diversify external financing sources, including but not limited to the issuance of corporate bonds, asset-backed securities or other debt offerings when needed, while at the same time, better monitor the maturity of the debts and tighten the financial control, so as to ensure our sufficient working capital. We have received and will continue to receive working capital from our operations and funds provided by external financing channels to support our business growth.

During the Track Record Period, we provided sufficient working capital to our land acquisition and development activities for our existing property projects through the establishment of our overall management on project development and pre-sale schedule, settlement schedule of land grant contracts and project acquisitions as well as use of our pre-sale and sales proceeds, cash on hand and bank and other borrowings.

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In general, we plan the settlement schedule of land grant contract and project acquisitions, pre-sale schedule and project development schedule based on the time of our land acquisition. For property projects we acquired during the Track Record Period, it generally took us two to three years to complete the construction. In particular, we settled payment for land grant contract with the local government within one to six months after our land acquisition in most cases. As to property projects acquired through cooperation agreements, we negotiated different settlement schedules and arrangements based on each of their specific situation and our cash flow balance. After such property projects moved to the under development phase, we arranged borrowings for development from banks and our financing partners. Borrowings from banks and our financing partners were applied based on the schedule of our development process. Borrowings from our financing partners were often applied before development loans were granted from banks or after development loans were fully repaid. Later on, as the development schedule moved forward, about an average of five months after the commencement of construction, the property projects subsequently entered into pre-sale phase and thus provided us with pre-sale proceeds as well as sales proceeds upon completion. Subject to relevant regulatory requirements with regards to the application of pre-sale proceeds, we were required to deposit a portion of pre-sale proceeds to escrow accounts and used such pre-sale proceeds for the development and construction of the relevant projects.

During the Track Record Period, we usually used 44% of pre-sale and sales proceeds from a property project for our business expansion, 25% of pre-sale and sales proceeds from a property project for the payment of construction costs, 11% of pre-sale and sales proceeds from a property project for relevant tax expenses, 15% of pre-sale and sales proceeds from a property project for other expenses, including marketing, management and finance expenses and the remaining 5% of pre-sale and sales proceeds from a property project for repayment of borrowings or as contingency allowance. During the Track Record Period, we were able to maintain sufficient working capital. In addition, as of August 31, 2020, we had unutilized banking facilities of approximately RMB11,025.0 million.

COVID-19 PANDEMIC

Background of the COVID-19 Pandemic

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.

The real estate market in China, particularly Wuhan and other cities in Hubei province, may be materially and adversely affected. In addition, our business operations could be disrupted if any of our employees is suspected of contracting the COVID-19 or any other

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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. 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.

Impact of the COVID-19 Pandemic

Property Portfolio Exposure

As of the Latest Practicable Date, 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 yet, and therefore, no revenue was recognized from them as of the Latest Practicable Date. The construction and pre-sale of the two property projects in Hubei province have been temporarily suspended due to quarantine.

Operational Impact

The COVID-19 pandemic caused delay to our original construction schedule of approximately 15 to 20 days on average but all construction works were resumed in April 2020. In addition, the pre-sale, sale and delivery activities of all of our property projects which were temporarily affected by the COVID-19 pandemic had been resumed as of the Latest Practicable Date. Furthermore, we had not experienced any labor shortage nor material fluctuations in construction costs and supply chain disruption as a result of the COVID-19 pandemic.

Financial Impact

Due to the significant outbreak since late January 2020, our sales in February 2020 was down by more than 50% of our original sales target, which was set in terms of contracted sales of properties, and collection of payment was down by approximately 20% of our original collection target for the month. Nevertheless, since most of our projects are located in the first- and second-tier cities, we usually set lower sales target during the Lunar New Year holiday, considering that many potential customers living in the first- and second-tier cities will return to their hometown during this period. Therefore, the negative sales impact caused by the COVID-19 pandemic mainly reflected on the property projects located in strong third-tier cities, which target customers work in other cities and may return during the Lunar New Year holiday to purchase property at their hometown. These sales demand account for approximately 15% of our annual sales targets. Since these are rigid demands, we believe that the COVID-19

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pandemic would only cause delay in the purchase and we will be able to make up for the decrease in sales in the second half of 2020. In addition, our sales in March 2020 met over 90% of our original sales target, and collection of payment reached our original collection target for the month. Our sales and collection of payment from April onwards were generally unaffected by the COVID-19 pandemic. In particular, from April 2020 to June 2020, our monthly sales and monthly collection of payment both exceeded our original targets. Therefore, we believe that the impact of the COVID-19 pandemic on our overall sales and payment collection targets in 2020 is immaterial. Since we recognize revenue when the properties are delivered to our customers and the properties delivered in 2020 were generally sold before 2020, we do not expect our revenue for 2020 will be affected by the COVID-19 pandemic. In addition, based on our financial performance from March 2020 to June 2020 and our estimation on our overall sales and payment collection in 2020, we expect that the COVID-19 pandemic will not have a material adverse effect on our revenue in 2021. Furthermore, our cost of sales, administrative expenses and finance costs were generally unaffected by the COVID-19 pandemic since (i) our suppliers did not increase their selling prices on the raw materials; (ii) we did not lay off or reduce compensations to our employees or incur any additional expenses; and (iii) there was no increase in our finance costs since we did not default on any obligations and there were no interest payments waived by any lender during the COVID-19 pandemic. Based on the foregoing, we believe that the impact of COVID-19 on our financial condition is immaterial.

Besides, our project companies located in Shanghai and provinces of Zhejiang, Henan, Jiangsu, Anhui, Guangdong and Hubei have received exemptions of enterprises premium contribution in an aggregate amount of approximately RMB8.4 million from February to July 2020. Furthermore, our project company in Tianmen has applied and obtained the approval for an exemption of urban land use tax from the local tax authority in the amount of approximately RMB0.1 million in June 2020. See “Regulatory Overview — Taxes — Preferential Policies for the Prevention and Control of the Epidemic Pneumonia Caused by Novel Coronavirus Infection” for details on the PRC government’s policy responses to the COVID-19 pandemic.

Nevertheless, in the worst scenario, where our construction activities are forced to suspend and we cease to bring in any new sales due to the COVID-19 pandemic, we estimate that our existing bank balances and cash of RMB3,433.0 million as of April 30, 2020 and 10% of the estimated [REDACTED] from the [REDACTED] that is intended to be used for funding our general working capital purposes can support 16 months starting from May 1, 2020 of our routine business operation activities. This estimation is made based on the assumptions that (i) we suspend all sales, construction and investment activities and will not generate any revenue due to such suspension; (ii) we pay off all our short-term borrowings that will mature within one year in the first three months starting from May 1, 2020; (iii) no layoff or redundancy program is implemented and we will incur expenses to maintain our operations at a minimum level, primarily including estimated monthly fixed costs (including staff costs, rental costs and other miscellaneous charges) and minimal operating and administrative expenses; (iv) we would only use cash and deposits available, including our bank balances and cash of RMB3,433.0 million as of April 30, 2020 and 10% of the estimated [REDACTED] from the [REDACTED], and there will be no further internal or external financing from our shareholders or financial institutions; (v) all amounts due from and amounts due to related

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companies are settled within six months starting from May 1, 2020; and (vi) there will be no material changes in the near future that would significantly affect the aforementioned key assumptions. Our Directors, after due and careful consideration, are of the opinion that the likelihood of the occurrence of such scenario is remote given the visible improvement of COVID-19 situation in China.

In addition, the PRC government has taken various measures to manage cases, reduce potential spread and impact of infection, as well as various incentive policies to boost the economy, such as cutting taxes, increasing government investment, increasing the amount of the currency issued and cutting interest rates. The combination of fiscal and monetary incentives would ease the negative impact of the COVID-19 pandemic. Therefore, we believe that although the real estate market in China is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales, the impact is likely to ease after the epidemic being effectively controlled. Furthermore, owing to urban agglomeration in the eastern part of the Yangtze River Delta Economic Region, which benefits from integrated and accelerated development and mutual assistance among the core cities and the surrounding satellite cities, real estate market in the region is supported by a more solid demand and will tend to stabilize in the long term, according to E-House. Still, 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.

Measures to the COVID-19 Pandemic

We have held emergency meetings to analyze the potential impact and adopted suitable measures to monitor our construction, pre-sale, sales and delivery activities for each of our projects. We plan to put in more resources to make up for the delay in our construction once available. We have gradually resumed our pre-sale and sales activities and launched our online property purchase system to cope with the current challenges. For properties purchased online, we will offer free refund and guarantee price for 30 days as well as online sales discount. We have also adopted promotion activities such as providing referral fees to sales agents and existing customers to boost our sales. Though we do not expect that there will be any delay in the delivery of our projects considering that we generally leave one-month buffer for our project delivery when entering into the pre-sale and sales contracts, we have proactively notified our customers regarding the possibilities in the delay of our delivery.

In addition, we have adopted enhanced hygiene and precautionary measures across our projects, including periodic temperature check, cleaning and disinfection of public areas, and reservation only procedure at our sales sites to control the number of visitors. We estimate that the additional costs for implementing these enhanced measures and our donation to be less than RMB2.0 million in 2020, which will not have a significant impact on our financial position in 2020. We also make use of the remote working facilities to ensure proper function of our business operation. Moreover, we pay attention to the collection of receivables and payment of

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payables as well as actively explore external financing opportunities to ensure sufficient and health cash flow. For our investment properties, we waived half of the rent payable by certain tenants. We also work with them to launch promotion activities including utilizing online sales platforms.

While the real estate market in China may experience certain extent of impact as a result of the COVID-19 pandemic, given the economic growth, population agglomeration, industrial transformation and consumption upgrading, we believe that the demand for residential and commercial properties in our strategic regional zones, namely the Yangtze River Delta Economic Region, the Pearl River Delta Economic Region and Mid-China Core Economic Region will remain high. Though the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China, it will unlikely affect the regional macroeconomic development plan and talent attraction plan in the long run. It is expected that once the outbreak is effectively controlled, the outlook for the demand of residential and commercial properties will remain positive. We therefore believe that our expansion plan as discussed in “Business — Our Strategies” is feasible, and it is unlikely that we would change the use of the [REDACTED] from the [REDACTED] as disclosed in “Future Plans and Use of Proceeds” as a result of the COVID-19 pandemic.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

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.

Sales and Marketing Dispute of Suzhou • Changshu Phoenix Garden

As of the Latest Practicable Date, there were a total of 13 lawsuits filed by some of the purchasers (the “**Plaintiffs**”) of Suzhou • Changshu Phoenix Garden, one of our residential property projects, with the People’s Court of Changshu City, Jiangsu province (the “**Changshu Court**”), against Changshu Gongzhu, the project company and a non-wholly-owned subsidiary of our Company, 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 balconies 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. We consider that the Alleged

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Claims arose from the misunderstanding of the Plaintiffs that the design of the balconies of the units purchased by the Plaintiffs would adopt the same design as those of the other blocks of Suzhou • Changshu Phoenix Garden. Such 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 a different design (i.e. “**enclosed design**”) was also stated in the marketing brochure, both of which were made available to the purchasers before the purchase. Moreover, it is clearly stated in the pre-sale contracts that the balconies adopt “enclosed design.”

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 Latest Practicable Date, 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 Latest Practicable Date, the date for the hearing of the appeal remained to be determined. These 12 lawsuits pending before the Appeal Court as of the Latest Practicable Date 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.

Our Directors are of the view that, based on the advice of our 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, our Controlling Shareholders have entered into the Deed of Indemnity, pursuant to which they have agreed to indemnify our Company (for itself and as trustee for its subsidiaries) against losses, liabilities or damages suffered by Changshu Gongzhu in

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proportion to the effective equity interests we have in Changshu Gongzhu after the [REDACTED] 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) our Directors’ view, based on the advice of our 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 our Controlling Shareholders, our Directors believe that these lawsuits would not have a material adverse effect on our business, financial condition or results of operations. Accordingly, we have not made any provision for these lawsuits. To better monitor and manage our selling and marketing activities, we have adopted certain internal control measures. See “— Risk Management” for more details. Due to the nature of our business, we may from time to time be involved in similar 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.

Notwithstanding the above, our Directors confirm that, as of the Latest Practicable Date, there were no legal proceedings or claims currently existing, pending or threatened against any member of our Group that we consider will have a material impact on us. As such, we did not make any provisions for any legal proceedings or claims during the Track Record Period.

COMPLIANCE WITH LAWS AND REGULATIONS

As of the Latest Practicable Date, except as otherwise disclosed in the document, we had, in all material respects, complied with all the relevant and applicable PRC laws and regulations governing the business of property development and management and we had obtained all licenses, permits and certificates for the purpose of property development. As of the Latest Practicable Date, except for four subsidiaries for which property development has not yet commenced, all of our PRC subsidiaries engaging in the property development operations had obtained qualification certifications for property development. We intend to continue to apply for new certificates for newly established project companies, and renew certificates for existing project companies upon their expiration.

If we fail to maintain our licenses, certificates, permits or governmental approvals upon expiry, our development plans may be delayed and there may be an adverse effect on our business. See “Risk Factors — Risks Relating to Our Business and Industry — 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.”

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Non-compliance Incidents

During the Track Record Period and up to the Latest Practicable Date, we experienced certain non-compliance incidents. Summaries of such incidents are set forth below.

Pre-sale Incidents

Overview

Under the current PRC laws, the deposit and use of pre-sale proceeds are restricted. 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. During the Track Record Period, we had certain incidents related to pre-sale proceeds (the “**Pre-sale Incidents**”).

The table below sets forth the details of the pre-sale proceeds received, required to be deposited into and actually deposited into all the designated escrow accounts by our project companies, and the remaining balances of the required and actual pre-sale proceeds in all the designated escrow accounts of our project companies with pre-sale activities during the Track Record Period:

	Year ended December 31,			Four months ended
	2017	2018	2019	April 30, 2020
	(RMB'000)			
Pre-sale proceeds				
Received ⁽¹⁾	5,377,052	4,123,304	10,981,780	1,408,202
Required to be deposited into designated escrow accounts ⁽²⁾ . .	5,351,667	3,453,532	10,607,989	1,408,202
Deposited into designated escrow accounts	3,761,857	1,710,847	9,583,954	1,448,465
– Directly deposited	100.0%	87.8%	78.9%	78.1%
– Indirectly deposited	—	12.2%	21.1%	21.9% ⁽³⁾
Actually deposited in terms of %	70.3%	49.5%	90.3%	102.9% ⁽³⁾
Difference between required to be deposited and actually deposited	1,589,810	1,742,685	1,024,035	(40,263) ⁽³⁾
Did not deposit into designated escrow accounts in terms of %	29.7%	50.5%	9.7%	N/A ⁽³⁾

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	As of December 31,			As of April 30,
	2017	2018	2019	2020
	(RMB'000)			
Remaining balance in designated escrow accounts				
Required remaining balance	–	175,209	905,941	783,451
Actual remaining balance	285,474	1,002,589	2,320,693	1,459,755

Notes:

- (1) & (2) The difference between pre-sale proceeds received and required to be deposited into designated escrow accounts was mainly because our project company in Suzhou deposited certain amount of capital fund specific for project development into an escrow account before pre-sales and collection of pre-sale proceeds of the relevant project as required by the local laws. We excluded such self-owned capital from our calculation of pre-sale proceeds since such deposits were not originated from pre-sale activities. See note 26 in Appendix I to this document for details.
- (3) Including a sum of RMB40.3 million, which was deposited into our general corporate accounts in 2019 and subsequently transferred into the designated escrow accounts in 2020. Therefore, the amount of pre-sale proceeds actually deposited is greater than that required to be deposited in the four months ended April 30, 2020.

Pre-sale Proceeds that were Indirectly Deposited into the Designated Escrow Accounts

During the Track Record Period, some of our project companies indirectly deposited the pre-sale proceeds into the designated escrow accounts. In 2017, 2018 and 2019 and the four months ended April 30, 2020, nil, five, 11 and six project companies located in Hangzhou, Dongyang, Tianmen, Dongguan, Hefei, Cixi, Changshu, Changzhou and Shangrao, respectively, were involved in such incidents. Pre-sale proceeds that were indirectly deposited into the designated escrow accounts amounted to nil, RMB207.9 million, RMB2,017.9 million and RMB316.6 million, respectively, accounting for nil, 12.2%, 21.1% and 21.9% of the pre-sale proceeds that were deposited into the designated escrow accounts in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively.

Indirect deposits occurred primarily because (i) certain mortgage banks’ internal policies or commercial reasons prevent them from depositing mortgage loans into our designated escrow accounts with other banks and instead, into our general corporate accounts, which involved seven project companies in 2019 and three project companies in the four months ended April 30, 2020 with an aggregate amount of RMB48.5 million and RMB11.8 million, respectively; (ii) as some local governments limited the number of registrable pre-sale contracts, we deposited pre-sale proceeds prior to their registration into our general corporate accounts and transferred them into the designated escrow accounts subsequently, which involved one project company in 2018 with an amount of RMB118.5 million; and (iii) the lack of understandings by the employees of the relevant PRC laws and regulations since certain employees of our project companies mistakenly believed that depositing pre-sale proceeds into our general corporate accounts is a common practice in compliance with relevant PRC laws and regulations so long as such pre-sale proceeds are then re-deposited into our designated escrow

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accounts, which involved five project companies in 2018, 11 project companies in 2019 and six project companies in the four months ended April 30, 2020 with an amount of RMB89.4 million, RMB1,969.4 million and RMB304.8 million, respectively.

In 2017, 2018 and 2019 and the four months ended April 30, 2020, nil, nil, seven and three project companies, respectively, were involved in Pre-sale Incidents in relation to the indirect deposit of pre-sale proceeds into designated escrow accounts with a total of eight mortgage banks, due to such banks’ internal policies or preferences for commercial reasons of maintaining the mortgage balance in the general corporate accounts with such mortgage banks. These banks consist of state-owned banks, joint stock commercial banks and rural commercial banks with internal policies and practices requiring our project companies to open and make deposits into the general corporate accounts with them rather than directly depositing relevant mortgage loans into designated escrow accounts with other banks. According to E-house, such internal policies and practices are adopted by certain mortgage banks in the PRC real estate market. In particular, in those cities where our property projects are located, some mortgage banks may also choose to adopt similar internal policies and practices.

During the Track Record Period, relevant local government authorities in Hefei, Anhui province adopted a guidance policy to limit the number of pre-sale contracts registerable during a given period. Generally, local government authorities collect and publish information with respect to property sales in the local markets, including transaction volume and selling price information, through the registration of pre-sale contracts. By limiting the number of registerable pre-sale contracts, relevant local government authorities in Hefei aimed to demonstrate that the Hefei real estate market remained stable and manage the expectations of potential property sellers and buyers and therefore promote a healthy development of the local real estate market. In addition, the abovementioned policy was also a result of the limited capacity of relevant local government authorities to timely handle a large number of registration applications for pre-sale contracts during a period. Although, as advised by our PRC Legal Advisers, there is no written requirement in relation to the limit on the number of pre-sale contracts registrable under the relevant PRC laws and regulations and there is no explicit PRC laws and regulations specifying the detailed practice adopted by relevant local government authorities in Hefei as described above, our PRC Legal Advisers concur with our understanding above based on their experiences and understanding of the relevant PRC policies.

The abovementioned limit mainly affected the registration of pre-sale contracts of our Hefei • Sunkwan Begonia Seasons project in 2018. Due to the abovementioned limit, the registrations of certain of pre-sale contracts of Hefei • Sunkwan Begonia Seasons were delayed by approximately one to four months during the year. Without a registered pre-sale contract, we cannot issue the pre-sale payment notice contained the registration code to property purchasers for them to deposit the pre-sale payment into their respective designated escrow account. As a result, for pre-sale contracts that were affected by the abovementioned limit, Hefei Jiakun, the project company of Hefei • Sunkwan Begonia Seasons, deposited the pre-sale

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proceeds into its general corporate accounts prior to the registrations of relevant pre-sale contracts and subsequently re-deposited such pre-sale proceeds into the designated escrow accounts upon the completion of relevant registrations.

According to the Measures for Administration of Pre-sales of Urban Commodity House (《城市商品房預售管理辦法》) and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Hearing of Cases Regarding Disputes over Sales Contracts of Commodity House (《最高人民法院關於審理商品房買賣合同糾紛案件適用法律若干問題的解釋》), the registration of a pre-sale contract with the relevant government authorities is a post-signing administrative filing procedure rather than a condition precedent for commencing the pre-sale or entering into a pre-sale contract. Failure to complete the filing and registration procedures for a pre-sale contract will not affect the validity of such pre-sale contract. The pre-sale contracts become effective between property developers and property purchasers once upon signing in accordance with the law, and we have the right to receive pre-sale proceeds in accordance with the payment terms stipulated in the pre-sale contracts. We had also obtained confirmations from the competent local government authorities confirming that our relevant project companies had not been found to be in violation of the relevant rules and regulations with regard to pre-sale.

Based on the foregoing, our PRC Legal Advisers are of the view that our entering into the pre-sale contracts exceeding the limit on contract registration does not contravene with relevant laws and regulations as set forth above.

Pre-sale Proceeds that were not Deposited in Full Amount into the Designated Escrow Accounts

During the Track Record Period, some of our project companies did not deposit full amount of the pre-sale proceeds into the designated escrow accounts in accordance with relevant regulatory requirements. In 2017, 2018 and 2019 and the four months ended April 30, 2020, two, five, six and three project companies located in Shanghai, Changshu, Dongyang, Tianmen, Dongguan, Hefei, Shangrao and Changzhou, respectively, were involved in such incidents. Pre-sale proceeds that were deposited into the designated escrow accounts amounted to RMB3,761.9 million, RMB1,710.8 million, RMB9,584.0 million and RMB1,448.5 million, respectively, accounting for 70.3%, 49.5%, 90.3% and 102.9% of the pre-sale proceeds that were required to be deposited into the designated escrow accounts in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively.

Such pre-sale proceeds that were not deposited in full amount into the designated escrow accounts occurred primarily because (i) the lack of understandings by the employees of the relevant PRC laws and regulations since certain employees of our project companies believed that it is not necessary to deposit the portions of pre-sale proceeds which had reached withdrawal stage into the designated escrow accounts, which involved two project companies in 2017, four project companies in 2018, six project companies in 2019 and three project companies in the four months ended April 30, 2020 with an amount of RMB1,589.8 million, RMB1,629.3 million, RMB1,065.8 million and RMB139.2 million, respectively; and (ii) due

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to the lack of understandings by the employees of the relevant PRC laws and regulations, we deposited the pre-sale proceeds into the general corporate accounts primarily for relevant payments of project related expenses and general working capital and did not transfer the pre-sale proceeds into the designated escrow accounts, which involved one project company in 2018, with an amount of RMB113.4 million.

Pre-sale proceeds that were not deposited in full amount into the designated escrow accounts mainly involved Sheshan Country Club, Shanghai Kunhui Property Co., Ltd. and Changshu Gongzhu, which were the project companies responsible for the development of our Shanghai • Flourish projects, Shanghai • Sunkwan Cifi Villas and Suzhou • Changshu Phoenix Garden, respectively.

Among the pre-sale proceeds that were not fully or directly deposited into the designated escrow accounts as required in 2017, 2018 and 2019 and the four months ended April 30, 2020 of RMB1,589.8 million, RMB1,950.6 million, RMB3,042.0 million and RMB276.3 million, respectively, nil, RMB207.9 million, RMB2,017.9 million and RMB316.6 million, respectively, was subsequently transferred to the designated escrow accounts for the relevant projects.

The relevant subsidiaries did not subsequently transfer full amounts involved into the relevant designated escrow accounts due to (i) the subsequent completion and delivery of certain properties. During the relevant periods, certain property projects or certain portions of the relevant property projects were completed and delivered. As a result, restrictions on pre-sale proceeds generated from these properties, including the requirements that require amounts of pre-sale proceeds shall be deposited into the designated escrow accounts, were released, and it was no longer necessary to deposit the relevant pre-sale proceeds; (ii) sufficient balance had been maintained above the required threshold in the relevant designated escrow accounts; and (iii) construction progress with respect to the relevant pre-sold properties had already fulfilled conditions for withdrawals from the designated escrow accounts when the relevant subsidiaries received such pre-sale proceeds. As of the Latest Practicable Date, all relevant Shanghai • Flourish projects involved in the Pre-sale Incidents and Shanghai • Sunkwan Cifi Villas had fulfilled the conditions for releasing the restrictions on pre-sale proceeds and were no longer subject to the relevant governmental restrictions for pre-sale proceeds.

Balance Requirements of the Designated Escrow Accounts

As of December 31, 2017, 2018 and 2019 and April 30, 2020, nil, nil, two and nil of our project companies, respectively, had restricted cash balances in the designated escrow accounts that fell below the regulatory thresholds. These two project companies involved in this pre-sale proceeds incident in 2019 were located in Changzhou and Shangrao. The relevant regulatory thresholds for cash balances in the designated escrow accounts were determined by local authorities primarily based on a certain percentage of the selling price filed to the relevant administrative bureau in Changzhou or Shangrao. See “Regulatory Overview — Real Estate Transactions — Pre-sale of commodity properties” for details.

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As of December 31, 2019, our project company in Changzhou had a cash balance in the third-party supervised bank accounts of RMB75.0 million, which fell below the required amount of RMB141.7 million by RMB66.7 million. Pursuant to the local regulations with respect to pre-sale proceeds in Changzhou, the collection threshold of pre-sale proceeds in the designated escrow accounts is determined prior to the commencement of pre-sale and shall be calculated by multiplying (i) 50% of the average selling price that a property developer previously filed to the administrative bureau, or a fixed criterion as required by the relevant local authority by (ii) the estimated GFA to be pre-sold of the relevant property project. Therefore, our required deposit amount of pre-sale proceeds was determined based on our filed selling prices with the relevant local authority and our estimated pre-sale GFA of the property project. Since the pre-sale activities for our Changzhou • Mindcloud Peakview project were only started in late September 2019, the pre-sale proceeds that our project company received within the short period from late September 2019 to December 31, 2019 were not able to meet the required threshold. Furthermore, due to a relatively slower than expected pre-sale progress, our project company was not able to meet our original sales target and as a result, received pre-sale proceeds in an amount that fell below the threshold calculated based on the estimated pre-sale GFA. See “Regulatory Overview — Real Estate Transactions — Pre-sale of Commodity Properties — Changzhou” for details. The aforementioned cash balance of RMB75.0 million was treated as other deposits since it was resulted from mortgage loans proceeds deposited into a third-party supervised bank account, which is of custodian nature, relating to the pre-sale proceeds received from our Changzhou • Mindcloud Peakview project, which we commenced pre-sales in 2019. See “Financial Information — Certain Balance Sheet Items — Prepayments, Other Receivables and Other Assets” for details.

As of December 31, 2019, our project company in Shangrao had a cash balance in the supervised bank accounts of RMB84.5 million, which fell below the required amount of RMB102.3 million by RMB17.8 million. Pursuant to the local regulations with respect to pre-sale proceeds in Shangrao, the collection threshold of pre-sale proceeds in the designated escrow accounts is determined prior to the commencement of pre-sale and shall be calculated based on a rate of the estimated total sales amount of the property project that the property developer previously filed to the administrative bureau. Following such regulations, we are required to deposit the amount of pre-sale proceeds based on our estimated total sales amount of the property project with the relevant local authority. Since the pre-sale activities for a portion of our Shangrao • Sunkwan Riverside Seasons project were only started in late September 2019, the pre-sale proceeds that our project company received within the short period from late September 2019 to December 31, 2019 were not able to meet the required threshold. Furthermore, due to a relatively slower than expected pre-sale progress, our project company was not able to meet our original sales target and as a result, received pre-sale proceeds in an amount that fell below the threshold calculated based on the estimated total sales amount. See “Regulatory Overview — Real Estate Transactions — Pre-sale of Commodity Properties — Shangrao.” In addition, the indirect deposited pre-sale proceeds also contributed to the difference between the actual deposited amount and the required amount in the designated escrow account, primarily due to (i) certain mortgage banks of the property project adopted internal policies or their commercial considerations preventing the project company from directly depositing mortgage loans into the designated escrow accounts; and (ii)

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the lack of understandings by the employees of the relevant PRC laws and regulations since certain employees of our project company mistakenly believed that depositing pre-sale proceeds into our general corporate account is a common practice in compliance with relevant PRC laws and regulations so long as such pre-sale proceeds are then re-deposited into our designated escrow account. As of the Latest Practicable Date, these two subsidiaries had subsequently fulfilled the relevant shortfall into the designated escrow accounts as of December 31, 2019.

As of December 31, 2017, 2018 and 2019 and April 30, 2020, our restricted cash balance related to pre-sale proceeds was RMB285.5 million, RMB1,002.6 million, RMB2,320.7 million and RMB1,459.8 million, accounting for 34.5%, 64.9%, 66.6% and 42.5%, respectively, of our cash and bank balances as of the respective dates. See Note 26 to the Accountants’ Report in Appendix I for details.

Use of Pre-sale Proceeds

Our Directors confirm that, during the Track Record Period, 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 provided by shareholders as well as a support of business operations of relevant shareholders when such project related costs and expenses are permitted by or the use of relevant general escrow funds is not restricted by relevant local implementation rule governing the use of pre-sale proceeds. We had not been subject to any administrative penalty imposed by competent administrative authorities relating to the use of pre-sale proceeds during the Track Record Period and up to the Latest Practicable Date. 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 Advisers are 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.

During the Track Record Period and up to the Latest Practicable Date, certain of our non-wholly-owned subsidiaries provided cash advances to their non-controlling shareholders from pre-sale proceeds as a return of their early-stage contributions as well as a support of business operations of such non-controlling 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

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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 are required to timely repay the cash advances they 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 from pre-sale proceeds during the Track Record Period and up to the Latest Practicable Date. 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 Advisers, 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, only financial institutions may legally engage in the business of extending loans and loans between companies that are not financial institutions are prohibited. 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 confirmed by our Directors, as of the Latest Practicable Date, we had not received any notice of claim or penalty relating to such advances. We are advised by our PRC Legal Advisers 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. For details of such cash advances and relevant amounts involved, please refer to “Financial Information — Certain Balance Sheet Items — Prepayments, Other Receivables and Other Assets.”

Potential Penalties to the Pre-sale Incidents

As of the Latest Practicable Date, among the 13 project companies involved in the Pre-sale Incidents during the Track Record Period, four had pre-sold property projects that were completed and/or delivered and nine had pre-sold property projects under development.

The main purpose of governmental supervision for the pre-sale proceeds of commodity properties is to ensure the consummation of development of the property projects, and that there will not be any material delay in delivery of the property projects. Therefore, with respect to the four property companies which had a total of nine property projects that were completed and/or delivered, as advised by our PRC Legal Advisers, the risk of the Group being penalized by the relevant government authorities for such property projects with respect to the Pre-sale Incidents is remote.

For the remaining nine project companies involved in the Pre-sale Incidents which had property projects under development, according to the Pre-sales Measures, the competent regulatory authority may impose a fine that equals to three times of illegal gains but less than RMB30,000 per project if a property developer fails to use the pre-sale proceeds as required.

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The maximum penalty of RMB30,000 refers to the maximum penalty a project may be subject to, regardless whether the project is involved in one or more types of pre-sale incidents. Based on the foregoing, for the nine property projects developed by our nine project companies involved in the Pre-sale Incidents, the aggregate amount of potential maximum penalty, as advised by our PRC Legal Advisers, would be approximately RMB0.3 million if the relevant government authorities impose the maximum amount of fine for each of these property projects.

Status subsequent to the Track Record Period and Working Capital Sufficiency

Our Directors confirmed that subsequent to the Track Record Period and up to the Latest Practicable Date, all of our subsidiaries (i) had deposited the newly-received pre-sale proceeds received during the period from January 2020 to the Latest Practicable Date into the designated escrow accounts as required in full, directly or indirectly; (ii) utilized the pre-sale proceeds received during such period in compliance with the relevant rules and regulations; and (iii) maintained the required balance of pre-sale proceeds in the relevant designated escrow accounts throughout the period.

As mentioned above, as of the Latest Practicable Date, among the 13 project companies involved in the Pre-sale Incidents during the Track Record Period, there were nine had pre-sold property projects under development. For such projects that are yet to be completed and delivered, we believe that we have sufficient working capital to complete and deliver the pre-sold units to the property purchasers by the scheduled date of delivery. Even under the worst case scenario, assuming that the pre-sale permits of the relevant project companies are revoked by the relevant government authorities as a result of the Pre-sale Incidents and the relevant project companies will not receive further pre-sale proceeds since September 2020, we concluded that the development and delivery schedule of the properties developed by the relevant project companies involved in the Pre-sale Incidents will not be affected. We reached such conclusion based on our assessment for each project company involved in the Pre-sale Incidents with project under development, taking into account (i) the total cash balances available to each of the relevant project companies as of August 31, 2020, and (ii) their respective estimated total costs to be incurred for construction completion. Among the abovementioned nine project companies with project under development, six project companies would complete relevant project without our additional capital contribution. For the remaining three project companies which their respective cash balances available as of August 31, 2020 would not be able to cover the estimated construction costs, our Group has sufficient cash and therefore would be able to provide additional funds to satisfy the capital needs of these project companies.

Furthermore, we also concluded that we would have sufficient working capital during the Track Record Period under the scenario that we had complied with all applicable PRC laws and regulations governing pre-sale proceeds during each period of the Track Record Period. We reached such conclusion by considering (i) our cash and cash equivalents at the end of a period, and (ii) the estimated supplementary amount of pre-sale proceeds we were required to deposit into the designated escrow amounts under applicable PRC laws and regulations at the end of

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the corresponding period. Based on the abovementioned assumptions and analysis, in 2017, 2018 and 2019 and the four months ended April 30, 2020, we would have sufficient cash and therefore would be able to provide working capital to support our property development activities and operations.

Our Compliance

During the Track Record Period and up to August 31, 2020, we had obtained confirmations from the competent local government authorities and conducted interviews with the following officials in regard to the Pre-sale Incidents: (i) two deputy section chiefs of the Housing and Urban-rural Development Bureau of Yuhang District, Hangzhou (杭州市余杭區住房和城鄉建設局), (ii) a section chief and a deputy section chief of the Housing and Urban-rural Development Bureau of Cixi (慈溪市住房和城鄉建設局), (iii) a deputy director of the Housing and Urban-rural Development Bureau of Changzhou National High-tech Industrial Development Zone (Xinbei District) (常州市國家高新技術產業開發區(新北區)住房和城鄉建設局), (iv) a deputy director of Tianmen Housing Security Service Center (天門市住房保障服務中心), and (v) a section chief of the Housing and Urban-rural Development Bureau of Wuzhong District, Suzhou (蘇州市吳中區住房和城鄉建設局), as advised by our PRC Legal Advisers who are officers of competent divisions at relevant government authorities being responsible for pre-sales related issues in the respective regions based on public information on relevant government websites or consultation with relevant government authorities. Therefore, the abovementioned officials have appropriate authority to represent the respective local government authorities in making the relevant confirmations. According to the confirmations we obtained from and interviews conducted with the competent local government authorities with respect to the project companies involved in the Pre-sale Incidents, we had complied with the relevant laws and regulations with regard to the pre-sale proceeds or that we had not been found to be in violation of the relevant rules and regulations regulating the pre-sale proceeds.

Furthermore, pursuant to the Pre-sales Measures and the consultation with MOHURD, the national-level laws and regulations only set forth the general principles and regulatory framework, and the real estate administrative departments at local level have been delegated with the authority to interpret the general principles and formulate detailed regulations regarding the supervision of pre-sale proceeds. In addition, in accordance with the Pre-sales Measures and the consultation with the relevant provincial-level real estate administrative departments, which are the higher-level authorities of the cities where our project companies involved in the Pre-sale Incidents during the Track Record Period located, by us, the real estate administrative departments of municipalities or counties are the competent government authorities within their own administrative areas. Therefore, the relevant confirmations and interviews concerning specific regulation of the pre-sale proceeds in such administrative areas are less likely to be challenged by relevant higher-level departments. Meanwhile, our Directors confirmed that we had not been subject to any administrative penalty imposed by competent administrative authorities relating to the Pre-sale Incidents.

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Based on (i) the foregoing interviews conducted with and confirmations obtained from the competent local government authorities, which covered all of our project companies that had been involved in the Pre-sale Incidents during the Track Record Period and up to the Latest Practicable Date as well as consultation with the MOHURD and relevant provincial-level competent government authorities; (ii) the foregoing Directors confirmation; (iii) the relevant project companies have taken rectification actions with respect to the relevant Pre-sale Incidents to the extent feasible and the Company has enhanced the internal control measures to ensure that its subsidiaries comply with the relevant local rules and regulations regarding pre-sale proceeds; and (iv) the main purpose of governmental supervision for the pre-sale proceeds from commercial properties is to ensure the consummation of development and construction of the corresponding projects, and the Directors further confirm that the Pre-sale Incidents did not cause any material delay in property delivery or failure to deliver property during the Track Record Period, our PRC Legal Advisers are of the view that the likelihood that we would be subject to the liability of violating the relevant rules and regulations regulating the pre-sale proceeds is low and thus the Pre-sale Incidents would not have a material adverse impact on the business operations of the relevant project companies.

Based on the abovementioned confirmation given by the competent local government authorities and opinion of our PRC Legal Advisers, our Directors are of the view that our handling of pre-sale proceeds as of the Latest Practicable Date did not constitute any material nor systematic non-compliance incidents, and the Pre-sale Incidents would not have a material operational or financial impact on us, and therefore, we have not made any provisions in relation to any pre-sale proceeds requirements.

Internal Control Measures to Ensure Ongoing Compliance

We have taken rectification actions with respect to the relevant Pre-sale Incidents to the extent feasible to ensure that all proceeds from the pre-sales of commodity properties will be managed in accordance with the applicable laws and regulations. During the internal control review performed between August 2019 and December 2019, an independent internal control adviser engaged by us (the “**Internal Control Adviser**”) had identified the pre-sale proceeds related procedures as an internal control deficiency and had provided some recommendations for our management’s consideration. Based on the recommendations provided by our Internal Control Adviser, we have adopted rectification measures relating to the deposit of pre-sale proceeds since January 2020. In March 2020, the Internal Control Adviser had conducted follow up review and compliance procedures review for the latest internal control status, and noted that the corresponding remedial measures have been implemented from the samples selected.

We will continue to enhance the internal control measures regarding pre-sale proceeds by implementing the following measures: (i) prior to the acquisition of a project, we will provide training sessions to our project members and staff in respect of PRC laws and regulations in relation to pre-sales. We already successfully completed one relevant legal training session in July 2020; (ii) prior to the start of a project pre-sale, our risk management center will lead and conduct examination and rectification in order to make sure that our project company has set

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up escrow accounts in accordance with local laws and regulations, and has entered into relevant agreements with local authorities with regard to the supervision of pre-sale proceeds; (iii) during the development of a project, our fund and financing management team will conduct weekly meetings with the project finance team to discuss project financing and to ensure that adequate pre-sale proceeds are deposited into the designated escrow accounts, cash balances in the designated escrow accounts meet the required thresholds and pre-sale proceeds are used for proper purposes; (iv) we will require our project members and staff to engage and maintain active communication with local government authorities with respect to any policy updates on pre-sale and the use of pre-sale proceeds and cooperate fully with the local authorities in these regards; and (v) our Directors and senior management will keep monitoring the implementation of the internal control measures regarding pre-sale proceeds to ensure an overall compliance with the relevant rules and regulation of pre-sale proceeds. In particular, our Directors are involved in the (i) review and approval of internal policies regarding pre-sale proceeds; (ii) review of monthly reports regarding pre-sale activities from each project company, including pre-sale schedule and the comparison between the deposited amount and its required amount, to determine whether relevant rectification measures shall be implemented. If so, a rectification report shall be submitted to the Board of Directors within one month; and (iii) delegation to the risk management center at the Group to conduct pre-sale special audit and review the rectification conducted by the project company.

In order to rectify the practical difficulties that our project companies experienced in depositing the pre-sale proceeds into the designated escrow accounts and to strengthen future compliance with the applicable laws and regulations in relation to pre-sale proceeds management, we will require our project companies to select mortgage banks with internal policies that would allow our project companies to directly deposit mortgage loans into the designated escrow accounts in the future. In the event that any mortgage bank fails to directly deposit mortgage loans into the designated escrow accounts, we intend to use reasonable endeavours to manually transfer the funds from the mortgage bank accounts into the designated escrow accounts monthly. In addition, we will systemically arrange registrations of pre-sale contracts in chronological order to avoid substantial delay in registrations and the need to make subsequent transfer of deposits from our general corporate accounts into the designated escrow accounts; at the same time, we will enhance communication with the relevant authorities to facilitate the registration process so we can deposit the pre-sale proceeds into the designated escrow accounts in a timely manner.

The abovementioned enhanced internal control measures are established based on relevant national and local laws and regulations to ensure that each project company strictly follow their relevant laws and regulations governing pre-sale proceeds. These measures set out the compliance procedures for the project companies to follow when depositing pre-sale proceeds. Even though we have experienced and may continue to experience certain practical difficulties out of our control primarily due to the internal policies and practices of mortgage banks or local government policy restriction as mentioned above, our Directors are of the view that, as advised by our PRC Legal Advisers, our enhanced internal measures of rectifying these practical difficulties and depositing the pre-sale proceeds into the designated escrow accounts in full and in a timely manner afterwards are in compliance with the fully deposit requirements

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of relevant national and local laws and regulations governing depositing pre-sale proceeds. In addition, our enhanced internal control measures such as holding internal weekly review meeting and maintaining active communication with local government authorities to ensure that adequate cash balances in the designated escrow accounts and proper use of pre-sale proceeds also comply with the threshold requirement and proper use requirement of relevant national and local laws and regulations governing pre-sale proceeds.

After considering the status of the Pre-sale Incidents subsequent to the Track Record Period and the foregoing, our Directors are of the view that, and the Sole Sponsor and our Internal Control Adviser concur, the enhanced internal control measures adopted by us are adequately and effectively designed to reasonably prevent such Pre-sale Incidents from taking place in the future.

Commenced Construction Works prior to Obtaining Requisite Construction Work Planning Permits and/or Failed to Conduct Relevant Construction Works in accordance with the Construction Work Planning Permits

Overview

During the Track Record Period and up to the Latest Practicable Date, three of our project companies were imposed with five monetary penalties for such non-compliances in an aggregate amount of approximately RMB0.2 million, all of which had been paid as of the Latest Practicable Date.

Reasons for Non-compliance

These non-compliance incidents occurred primarily because (i) while the construction contractors commenced construction preparation or the relevant construction works according to the development schedule as stipulated in the construction contracts, the administrative procedures including the issuance of the relevant construction work planning and/or commencement permits, were not completed pursuant to our original schedule; (ii) our local employees did not understand the relevant PRC laws and regulations implemented by different local government authorities, which resulted in the adoption of different standards in recognizing certain construction stages and time requirements for completing the relevant administrative procedures, such as the application for the construction work planning and/or commencement permits, and our employees relied on their past experience in other cities without reconfirming local policies; and (iii) our employees at the project company level did not execute our internal control policies to supervise the construction processes.

The confirmation letters or the confirmative responses from the relevant local regulatory authorities, including Wuzhong Branch of Suzhou Natural Resources and Planning Bureau, and Shangrao Construction Management Bureau, which as advised by our PRC Legal Advisers to be the competent authorities, confirmed that the relevant non-compliance incidents are immaterial and/or had been settled. Taking into account (i) the confirmation letters and the confirmative responses from the regulatory authorities, and/or (ii) the fact that our concerned

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subsidiaries have fully paid the penalties and/or rectified the non-compliances by obtaining the necessary permits, our PRC Legal Advisers are of the view that the risks that the relevant companies will be subject to further administrative penalties for these non-compliance incidents are remote.

Internal Control Measures to Ensure Ongoing Compliance

We have established, and will continue to improve, our standardized property development procedures, which have been embedded with multiple check points that govern each major step of our property development activities, such as obtaining land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and completion certificates, to ensure that our subsidiaries shall obtain all necessary permits, licenses and regulatory approvals. Our operation management team at the project company level and our operation management department at the headquarters level will continue to be responsible for the formulation and review of the development check points plan for each property project, respectively.

Commenced Construction Works prior to Obtaining Requisite Construction Work Commencement Permits and/or Failed to Fully Comply with the Relevant Laws and Regulations in Relation to Construction Work Quality

Overview

During the Track Record Period and up to the Latest Practicable Date, six of our project companies were imposed with 14 monetary penalties for such non-compliances in an aggregate amount of approximately RMB2.4 million, all of which had been paid as of the Latest Practicable Date.

Reasons for Non-compliance

These non-compliance incidents occurred primarily because (i) while the construction contractors commenced construction preparation or the relevant construction works according to the development schedule as stipulated in the construction contracts, the administrative procedures including the issuance of the relevant construction work planning and/or commencement permits, were not completed pursuant to our original schedule; (ii) our local employees did not understand the relevant PRC laws and regulations implemented by different local government authorities, which resulted in the adoption of different standards in recognizing certain construction stages and time requirements for completing the relevant administrative procedures, such as the application for the construction work planning and/or commencement permits, and our employees relied on their past experience in other cities without reconfirming local policies; and (iii) our employees at the project company level did not execute our internal control policies to supervise the construction processes.

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The confirmation letters or the confirmative responses from the relevant local regulatory authorities, including Housing and Urban-rural Development Bureau of Yuhang District, Hangzhou, Dongyang, Suzhou and Xinbei District, Changzhou and Construction Engineering Quality and Safety Supervision Branch of Songjiang District, Shanghai, which are competent authorities to issue the confirmations as advised by our PRC Legal Advisers, confirmed that the relevant non-compliance incidents are immaterial and/or had been settled. Taking into account (i) the confirmation letters and the confirmative responses from the regulatory authorities, and/or (ii) the fact that our concerned subsidiaries at issue have fully paid the penalties and/or rectified the non-compliances by obtaining the necessary permits, our PRC Legal Advisers are of the view that the risks that the relevant companies will be subject to further administrative penalties for these non-compliance incidents are remote.

Internal Control Measures to Ensure Ongoing Compliance

We have established, and will continue to improve, our standardized property development procedures, which have been embedded with multiple check points that govern each major step of our property development activities, such as obtaining land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and completion certificates, to ensure that our subsidiaries shall obtain all necessary permits, licenses and regulatory approvals. Our operation management team at the project company level and our operation management department at the headquarters level will continue to be responsible for the formulation and review of the development check points plan for each property project, respectively.

Sales and Leaseback Arrangement

Background

During the Track Record Period, 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.

The sales and leaseback arrangements were mainly entered into in 2015 and 2016, with the remaining entered into in 2017 and 2018. Our sales contracts with these buyer-lessors include typical terms contained in a standard sales contract with other property buyers. The salient terms under our typical management and operation agreements with our lessor-buyers are set forth below:

- *Parties:* (i) third-party property buyer and/or investor, as lessor, and (ii) Shanghai Kunshang, as manager and operator.

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- *Duration:* For a period from the date of delivery to December 31, 2022 or to December 31, 2024, as the case may be.
- *Operation and management right:* Shanghai Kunshang is entitled to the rights and control in respect of the overall operation and management of the relevant commercial unit, including but not limited to the right to use, manage, receive income and cooperate with third-party professional business operating companies or entrust such companies to manage the relevant commercial unit.
- *Buyer-lessor’s undertakings:* the buyer-lessor shall not occupy or use the relevant commercial unit unless with Shanghai Kunshang’s prior written consent, and the buyer-lessor may not terminate or revoke the agreement or modify Shanghai Kunshang’s rights and powers as stipulated under the management and operation agreement.
- *Assumption of risks and liabilities:* Shanghai Kunshang assumes any obligations and liabilities, such as risks of loss, arising from the operation and management of the relevant commercial unit, and it is also liable for any costs and expenses, such as marketing and management fees, associated with the operation and management of the relevant commercial unit.
- *Payment and credit terms:* Shanghai Kunshang is required to pay the buyer-lessor a fixed rental income return as agreed under the management and operation agreement on a yearly basis. Under the terms of the agreement, the first rental payment to be made by Shanghai Kunshang to the buyer-lessor was due on April 30, 2020 with a two-month credit period, which allow a reasonable period of time for Shanghai Kunshang to attract quality tenants and generate a stable income flow. The first rental payment has been settled prior to June 30, 2020.

As of April 30, 2020, there were a total of 286 commercial units with an aggregated leasable GFA of approximately 15,534 sq.m., representing 70.8% of the total leasable GFA of Sunkwan Upper Commercial Plaza, under such sales and leaseback arrangements. Among these commercial units, the monthly unit rent Shanghai Kunshang paid to the buyer-lessors ranges from RMB70 to RMB247 per sq.m., inclusive of VAT and exclusive of management fee.

Cost and Benefit Analysis

The price of property sales and the ensuing rents that we pay to the buyer-lessors were determined as a whole on the basis of arm’s length negotiation between the buyer-lessors and us, taking into account our undertakings to guarantee buyer-lessors’ rental return as stipulated in the sales and leaseback arrangement and that we assume any risks of loss-making as a result of such arrangement. Under the sales contracts, we generated RMB487.8 million from sales of property and incurred RMB193.1 million as cost of sales of property. Under the management and operation agreements, we incurred rental costs in the amount of RMB31.9 million as of April 30, 2020 and we expect to further incur rental costs of RMB89.5 million under our

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management and operation agreements upon their expiration. On the other hand, we started to generate rental income in 2017 through sub-leasing the commercial units and the rental income amounted to RMB9.3 million, RMB12.5 million, RMB14.8 million and RMB2.8 million in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. Taking into account the potential impact of COVID-19 on our rental income in 2020 and assuming that the rental income generated from 2021 to 2024 will grow at a biannual rate of approximately 3% using our rental income under the sub-leasing agreements in 2019 as a basis, we expect to further generate an estimated rental income for the sub-lease of approximately RMB41.8 million upon the expiration of the relevant management and operation agreements. Taking into account the income and costs from both sales of properties and the ensuing leaseback arrangement, we conclude that there is no loss-making leaseback contracts.

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 by JLL, 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 “Financial Information — Critical Accounting Policies and Estimates — Sales and Leaseback,” “Financial Information — Critical Accounting Policies and Estimates — Investment Properties” and Note 2.4 to the Accountants’ Report in Appendix I for details.

Business Purpose

The purpose for having approximately 70% of the commercial units in Shanghai • Sunkwan Upper Commercial Plaza under sales and leaseback arrangement was for a consistent and better project planning and operation, including selection of merchant, design and decoration of commercial units and launching marketing activities. Since Shanghai Sunkwan • Upper Commercial Plaza is located in close proximity to Baoshan Temple, a local cultural heritage site, its construction, architectural style, function and property types are required by the local government to be in harmony with the quiet and sacred nature of the temple. In order to meet such requirements and maintain sustainable operation of Shanghai • Sunkwan Upper Commercial Plaza, we decided to adopt the sales and leaseback arrangement so we could

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maintain a more centralized control and management over the commercial units in terms of conducting overall planning of the project, attracting suitable and quality tenants and maintaining a harmonious business atmosphere.

Sales and Leaseback Incidents

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 Latest Practicable Date, 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, our Directors confirmed that 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 Advisers are of the view that the likelihood that we would be penalized by the competent authorities is low. As such, our Directors are of the view that we are in compliance with the relevant PRC laws and regulations regarding sales and leaseback arrangements in all material aspects.

Views of Our Directors

Having considered the nature and reasons for the historical non-compliance incidents identified above, the remedial actions taken and the internal control measures adopted by us, our Directors are of the view that (i) our internal control measures are adequate and effective to prevent recurrence of future non-compliance incidents; and (ii) the past non-compliance incident does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for our [REDACTED] under Rule 8.04 of the Listing Rules.

Our Directors, as advised by our PRC Legal Advisers, confirm that as of the Latest Practicable Date, except as disclosed in the above, we had complied with relevant PRC laws governing the business property development and management in all material aspects.

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INTERNAL CONTROL

In preparation for the [REDACTED], we engaged the Internal Control Adviser to perform an overall assessment on certain of our procedures, systems and internal control, including, in particular, to review the internal control to be established by us to prevent future breach and enhance on-going compliance. The scope of internal control review performed by Internal Control Adviser was agreed between us, the Sole Sponsor and the Internal Control Adviser.

During the internal control review, the Internal Control Adviser has provided some recommendations for our management’s consideration to enhance and rectify those deficiencies identified in our internal control system. We have implemented such remedial measures and the Internal Control Adviser has reviewed the remediation status of the identified internal control deficiencies of our selected entities by performing relevant follow-up testing on sample basis. Based on the follow-up testing results on the sample basis reviewed by the Internal Control Adviser, we have implemented all of these remedial measures.

In order to ensure that we maintain sound and effective internal control to protect the interests of us and our Shareholders, and to meet the corporate governance standards as a [REDACTED] company on the Stock Exchange, we plan to establish an audit committee, a remuneration committee and a nomination committee, and their primary duties include, among others, providing an independent view of our financial reporting process, internal control and risk management system, ensuring the levels of remuneration and compensation are appropriate, and recommends to the board of Directors with suitably qualified persons.

Our legal department advises the executive Directors and senior management on the legal issues involved in the daily business operations of our subsidiaries in China. We have also engaged external legal advisers to provide legal advice and guidance to our regional offices in the cities where we operate to ensure our ongoing compliance with relevant laws and regulations in China. We have sought advice from our PRC legal advisers and the internal control advisers on various internal control issues arising from our business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, social and governance (“ESG”) criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, internal controls and shareholder rights.

Though the general principles for ESG criteria might be similar, different countries and regions also implement its own ESG criteria in practice. In Hong Kong, the Environmental, Social and Governance Reporting Guide (Appendix 27 to the Listing Rules) requires issuers to disclose whether it has complied with laws and regulations as well as its own policies relating to environmental and social matters, including, among others, (i) air and greenhouse gas

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emissions, discharges into water and land and generation of hazardous and non-hazardous waste, (ii) compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, (iii) providing a safe working environment and protecting employees from occupational hazards, (iv) preventing child and forced labor, (v) health and safety, advertising, labeling and privacy matters, and (vi) bribery, extortion, fraud and money laundering. Requirements for corporate governance are mainly addressed in the Corporate Governance Code.

In terms of environmental matters, we have established procedures and stringent screening methods to assess and select suppliers who are able to meet the standards and requirements in accordance with applicable environmental laws and regulations. See “— Environmental Matters” for details. In addition, we also launched a three- to five-year plan for the development of carbon woods in Gansu province, China with a national public foundation in March 2018.

In terms of social matters, each of our departments conducts quarterly employee training sessions based on the employee training plan formulated by our human resources and administrative departments at the beginning of each year to ensure that our employees receive adequate training tailored to their positions and career development. We have also built a comprehensive employee care and welfare system, under which we provide various benefits, subsidies and stipends to our employees in order to enhance our employees’ sense of belonging and recognition within our Group. See “— Employees” for details.

In terms of corporate governance, we are in compliance with all provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except as disclosed in “Directors, Senior Management and Employees — Corporate Governance Code.” For corporate governance measures relating to the management of conflicts of interest that we plan to adopt upon [REDACTED], see “Relationship with Controlling Shareholders — Corporate Governance Measures.”

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You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto as of and for the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020, as well as our unaudited consolidated financial statements as of and for the four months ended April 30, 2019, included in the Accountants’ Report set out in Appendix I to this document. The Accountants’ Report has been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the “IASB”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in “Risk Factors.”

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

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 residential 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 vision 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.

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. Our solid presence in Shanghai has contributed to our success given its market size,

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access to finance, premium land parcels and quality talent pool. 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.

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 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 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 2.2 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 during the Track Record Period. We had 23, 36 and 49 property projects at various stages of development across five, 11 and 14 cities in China as of December 31, 2017 and 2018 and July 31, 2020, respectively. Our revenue amounted to

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RMB1,201.1 million, RMB6,847.4 million and RMB7,535.2 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 in the same period in 2020. Our profit for the year amounted to RMB34.6 million, RMB672.9 million and RMB676.9 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 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. For details, see “Regulatory Overview.”

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.

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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 during the Track Record Period 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. During the Track Record Period, 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

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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 construction materials had affected our cost of sales during the Track Record Period. 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. During the Track Record Period, 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.

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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, 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 and RMB5,589.0 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 and RMB75.5 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 and RMB197.3 million in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively, and recorded LAT expenses of

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RMB91.6 million, RMB1,671.7 million, RMB1,275.6 million and RMB81.3 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 during the Track Record Period. 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. Our significant accounting policies are set forth in details in Note 2.4 to the Accountants’ Report in Appendix I to this document.

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.

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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.

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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 intragroup 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.

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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.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that we commit 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.

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Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized 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 recognized 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.

In relation to the fair value assessment of our financial assets, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the wealth management product agreement, the fund investment agreements and the acquisition agreements regarding the acquisition of Shanghai • Sunkwan International Plaza; (ii) consulted with external advisers, who enabled us to have a comprehensive understanding on the measurement procedures adopted and valuation analysis concluded with respect to the wealth management product, fund investment and contingent consideration; and (iii) carefully considered all information especially those non-market related information input, such as possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates. Based on the above procedures, our Directors are of the view that the valuation analysis performed by us is fair and reasonable and that our financial statements are properly prepared.

Details of the fair value measurement of the level 3 financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Notes 25 and 41 to the Accountants’ Report in Appendix I to this document.

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The Sole Sponsor has performed due diligence work in respect of the valuation analysis on level 3 financial assets, including but not limited to: (i) discussed with us to understand the nature and details of the financial assets; (ii) reviewed the valuations prepared by our Company and the relevant agreements regarding the financial assets; (iii) discussed with us and the reporting accountants of our Company about, among others, the methodology, key basis and assumptions for the valuation of the financial assets; and (iv) reviewed the relevant notes in the Accountants’ Report as contained in Appendix I to this document. Having considered the work done by us and the reporting accountants of our Company, and the relevant due diligence work conducted as stated above, nothing material has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to cast doubt on the valuation analysis on level 3 financial assets.

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.

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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.

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 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.

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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 by JLL, 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.

We estimate that the adoption of IFRS 16 on sales and leaseback properties would have a significant impact on our financial performance for the year ended December 31, 2017, mainly because (i) the fair value gain recognized in the year ended December 31, 2017. As we sublet the sales and leaseback properties, such properties met the definition of investment properties under IAS 40 and were therefore measured at fair value by applying the fair value model. Such fair value gain represents the difference between (a) the cost of right-of-use assets arising from the leaseback upon the initial adoption of IFRS 16 and (b) the fair value of such assets as of December 31, 2017. The cost of right-of-use assets arising from leaseback is measured at the proportion of the previous carrying amount of the properties that relates to the right of use retained by us, in accordance with IFRS 16.100(a). Accordingly, the amount of gain in sales of properties that relates to the rights retained by us is recorded as a deduction of cost of the right-of-use assets upon the initial adoption of IFRS 16. The fair value of the right-of-use

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assets arising from leaseback takes into account the market conditions as of the time of valuation based on the valuation performed by JLL; and (ii) the absence of lease expenses arising from operating lease of the sales and leaseback properties which would have been recognized under IAS 17.

On the other hand, we estimate that the financial impact from the adoption of IFRS 16 on sales and leaseback properties is insignificant for the year ended December 31, 2018, mainly because the sales and leaseback transactions declined compared with the year ended December 31, 2017. Specifically, there were only 11 sets of properties sold and leased back in the year ended December 31, 2018 as compared to 201 sets of that in the year ended December 31, 2017. Fair value loss for held under lease investment properties was recognized for the year ended December 31, 2018 mainly due to the decrease in fair value of leased properties which existed as of December 31, 2017 as the lapse of the lease period. As a result, the difference between fair value loss under IFRS 16 and the lease expenses under IAS 17 was insignificant for the year ended December 31, 2018.

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 throughout the Track Record Period.

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 throughout the Track Record Period.

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

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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.

Presentation of liabilities

Advanced proceeds received from customers for which the performance obligations that we have not yet satisfied are presented as contract liabilities.

Accounting for significant financing component

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 throughout the Track Record Period, 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.

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If we had applied IAS 39 and IAS 18 for the year ended December 31, 2017, the estimated impact on our financial position for the year ended December 31, 2017 affected by the adoption of IFRS 9 and IFRS 15 is as follows:

	Amounts without the adoption of IFRS 9 and IFRS 15	Effects of the adoption of IFRS 9	Effects of the adoption of IFRS 15	Amounts as reported
	<i>(in RMB thousands)</i>			
<u>Profit for the year</u>				
Year ended December 31,				
2017	35,248	(1,078)	408	34,578
<u>Total equity</u>				
As of December 31, 2017	639,117	(1,216)	(98)	637,803

Taking into account the impact disclosed above, our Directors consider that the adoption of IFRS 9 and IFRS 15 would have insignificant impact on our financial position and performance for the year ended December 31, 2017.

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. 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 us and payments of penalties for terminating a lease, if the lease term reflects our exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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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.

The short-term lease recognition exemption is applied to its short-term leases of machinery and equipment, i.e., 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 lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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. 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, we make 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 seller-lessee. When an entity subsequently measures its investment properties using the fair value model, there is no difference in accounting for a right-of-use asset that meets the definition of investment property.

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 throughout the Track Record Period, 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.

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If we had applied IAS 17 for the years ended December 31, 2017 and 2018, the estimated impact on our financial position for the years ended December 31, 2017 and 2018 affected by the adoption of IFRS 16 is as follows:

	Amounts without the adoption of IFRS 16	Effects of the adoption of IFRS 16	Amounts as reported
	<i>(in RMB thousands)</i>		
<u>Profit/(losses) for the year</u>			
Year ended December 31, 2017	(21,799)	56,377	34,578
Year ended December 31, 2018	675,493	(2,585)	672,908
<u>Total equity</u>			
As of December 31, 2017	568,723	69,080	637,803
As of December 31, 2018	1,748,283	66,495	1,814,778

The adoption of IFRS 16 would have significant impact on our financial performance for the years ended December 31, 2017 and 2018 and the adoption of IFRS 16 would not have significant impact on our financial position as of December 31, 2017 and 2018. The impact of IFRS 16 on our financial performance for the years ended December 31, 2017 and 2018 was mainly due to measure of the right-of-use asset arising from the sale and leaseback.

If we had applied IAS 17 for the years ended December 31, 2017 and 2018, the estimated impact on our ratios for the years ended December 31, 2017 and 2018 affected by the adoption of IFRS 16 is as follows:

	Ratio without the adoption of IFRS 16 as of December 31, 2017	Ratio with the adoption of IFRS 16 as of December 31, 2017	Ratio without the adoption of IFRS 16 as of December 31, 2018	Ratio with the adoption of IFRS 16 as of December 31, 2018
Current ratio	1.1	1.1	1.2	1.2
Return on assets	(0.2)	0.3	3.9	3.8
Return on equity	(3.7)	5.5	58.3	54.9
Net gearing ratio	768.1	684.9	338.3	325.9
Interest coverage ratio (A)	66.7	75.8	384.0	383.9

The adoption of IFRS 16 would have significant impact on our ratios of return on assets and return on equity for the year ended December 31, 2017 due to measure of the right-of-use asset arising from the sale and leaseback.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items, in absolute amounts and as percentages of total revenue, for the periods indicated:

	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Revenue	1,201,102	100.0	6,847,436	100.0	7,535,159	100.0	1,151,843	100.0	1,148,500	100.0
Cost of sales	(829,815)	(69.1)	(3,321,645)	(48.5)	(4,464,234)	(59.2)	(578,609)	(50.2)	(555,809)	(48.4)
Gross profit	371,287	30.9	3,525,791	51.5	3,070,925	40.8	573,234	49.8	592,691	51.6
Finance income	9,712	0.8	15,884	0.2	15,804	0.2	3,061	0.3	5,284	0.5
Other income and gains	5,285	0.4	7,546	0.1	11,242	0.1	1,148	0.1	1,560	0.1
Selling and distribution expenses	(78,482)	(6.5)	(161,220)	(2.4)	(213,653)	(2.8)	(50,831)	(4.4)	(52,036)	(4.5)
Administrative expenses	(130,918)	(10.9)	(241,341)	(3.5)	(250,741)	(3.3)	(80,446)	(7.0)	(93,261)	(8.1)
Impairment losses on financial assets	(1,575)	(0.1)	(1,152)	(0.0)	(390)	(0.0)	(131)	(0.0)	(605)	(0.1)
Other expenses	(1,507)	(0.1)	(3,259)	(0.0)	(3,159)	(0.0)	(272)	(0.0)	(294)	(0.0)
Fair value gains on investment properties	254,227	21.2	159,818	2.3	175,812	2.3	53,012	4.6	12,500	1.1
Fair value gains on financial assets at fair value through profit or loss	4,166	0.3	2,557	0.0	1,883	0.0	1,282	0.1	280	0.0
Finance costs	(220,063)	(18.3)	(281,311)	(4.1)	(261,734)	(3.5)	(70,549)	(6.1)	(75,454)	(6.6)
Share of profits and losses of:										
Joint ventures	5,730	0.5	(6,206)	(0.1)	15,753	0.2	6,789	(0.6)	1,577	0.1
Associates	(80)	(0.0)	(3,965)	(0.1)	(8,237)	(0.1)	(2,809)	(0.2)	(2,724)	(0.2)
Profit before tax	217,782	18.1	3,013,142	44.0	2,553,505	33.9	433,488	37.6	389,518	33.9
Income tax expense ..	(183,204)	(15.3)	(2,340,234)	(34.2)	(1,876,616)	(24.9)	(363,405)	(31.5)	(231,103)	(20.1)
Profit for the year/period	<u>34,578</u>	<u>2.9</u>	<u>672,908</u>	<u>9.8</u>	<u>676,889</u>	<u>9.0</u>	<u>70,083</u>	<u>6.1</u>	<u>158,415</u>	<u>13.8</u>
Attributable to ⁽¹⁾ :										
Owners of the parent	49,971	4.2	154,553	2.3	219,532	2.9	(17,608)	(1.5)	20,974	1.8
Non-controlling interests	(15,393)	(1.3)	518,355	7.6	457,357	6.1	87,691	7.6	137,441	12.0
	<u>34,578</u>	<u>2.9</u>	<u>672,908</u>	<u>9.8</u>	<u>676,889</u>	<u>9.0</u>	<u>70,083</u>	<u>6.1</u>	<u>158,415</u>	<u>13.8</u>

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Note:

- (1) Profit attributable to owners of the parent represents the net profit of our Group attributable to the shareholders of our Company, as the owners of the parent company of our subsidiaries. Profit attributable to non-controlling interests represents the net profit of our Group attributable to our business partners, as the non-controlling shareholders of our non-wholly-owned subsidiaries. Our profit attributable to owners of the parent and profit attributable to non-controlling interest generally increased during the Track Record Period, primarily due to the increase in our net profit as a result of our continuous business expansion. In addition, as we held different percentage of equity interests in different non-wholly-owned subsidiaries, the changes in our profit attributable to owners of the parent and profit attributable to non-controlling interest during the Track Record Period were also in line with the changes in non-wholly-owned subsidiaries which contributed net profit in the relevant periods.

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

Revenue

Our revenue during the Track Record Period 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	%	RMB	%	RMB	%
<i>(In thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Sales of properties . . .	1,169,137	97.3	6,789,127	99.1	7,449,198	98.9	1,129,572	98.1	1,124,182	97.9
Property lease										
income	31,965	2.7	52,231	0.8	63,853	0.8	18,382	1.6	16,503	1.4
Consulting services . . .	—	—	6,078	0.1	22,108	0.3	3,889	0.3	7,815	0.7
Total	1,201,102	100.0	6,847,436	100.0	7,535,159	100.0	1,151,843	100.0	1,148,500	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.

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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.

A reconciliation of the proceeds from pre-sale of our properties recognized as contract liabilities, the contract liabilities recognized as revenue upon the transfer of control of pre-sold properties, and the closing balance of contract liabilities during each period of the Track Record Period is set out below:

	Year Ended December 31,			Four Months Ended April 30,
	2017	2018	2019	2020
	<i>(In RMB thousands)</i>			
Contract liabilities at the beginning of year/period . . .	3,041,100	7,752,566	5,021,651	8,329,464
Contract liabilities from pre-sale of properties during the year/period	5,361,442	4,195,644	10,342,544	1,448,888
Contract liabilities from sale of properties during the year/period	377,246	27,859	20,624	555,640
Contract liabilities from acquisition of subsidiaries .	4,323	—	862,099	—
Financing component of contract liabilities	211,483	204,617	238,794	82,542
Contract liabilities recognized as revenue during the year/period ⁽¹⁾	(1,184,571)	(6,819,579)	(7,482,864)	(1,135,267)
VAT on recognized revenue included in contract liabilities	(58,457)	(339,456)	(673,384)	(101,773)
Contract liabilities at the end of year/period	<u>7,752,566</u>	<u>5,021,651</u>	<u>8,329,464</u>	<u>9,179,494</u>

FINANCIAL INFORMATION

Note:

- (i) Contract liabilities recognized as revenue during the year/period represents the total contract liabilities recognized as our revenue of the year/period, including tax and surcharges.

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. The total recognized GFA increased from 42,913 sq.m. in 2017 to 143,866 sq.m. in 2018 and the recognized ASP increased from RMB27,244 per sq.m. in 2017 to RMB47,191 per sq.m. in 2018, primarily attributable to the delivery of our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects in 2018, which were mainly houses and townhouses, and thus, had higher recognized ASP than that of our other types of property projects, such as low-rise apartment buildings and commercial properties.

Our revenue from sales of properties increased by 9.7% from RMB6,789.1 million in 2018 to RMB7,449.2 million in 2019, primarily due to an increase in total recognized GFA, which was partially offset by a decrease in recognized ASP. The total recognized GFA increased from 143,866 sq.m. in 2018 to 196,355 sq.m. in 2019, primarily due to the delivery of our Shanghai • Sunkwan Flourish Peninsula and Shanghai • Future Land Flourish Moon projects and our expansion into Suzhou market. The recognized ASP decreased from RMB47,191 per sq.m. in 2018 to RMB37,937 per sq.m. in 2019 was mainly because (i) the delivery of our Suzhou • Sunkwan Riverside Seasons and Suzhou • Changshu Phoenix Garden projects, which were mainly comprised of low-rise apartment buildings as compared to our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas delivered in 2018, which were mainly comprised of townhouses and houses and thus had higher ASP than our other types of property projects and (ii) the ASP of properties located in Suzhou in general was lower than that of properties located in Shanghai.

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 in the same period in 2020.

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The table below sets forth the aggregate recognized GFA, the total revenue from sales of properties and the recognized ASP per sq.m. by project for the periods indicated:

	Year Ended December 31,					Four Months Ended April 30,				
	2017		2018			2019		2020		
	Recognized GFA	Revenue	Recognized ASP	Recognized GFA	Revenue	Recognized ASP	Recognized GFA	Recognized ASP	Revenue	Recognized ASP
	(sq.m.)	(in RMB thousands)	(RMB/sq.m.)	(sq.m.)	(in RMB thousands)	(RMB/sq.m.)	(sq.m.)	(in RMB thousands)	(in RMB thousands)	(RMB/sq.m.)
									(Unaudited)	
Shanghai										
Shanghai • Sunkwan Mangrove Bay (上海•上坤紅樹灣)	331	2,771	8,372	102	840	8,235	294	7,354	221	816
Car parks	331	2,771	8,372	102	840	8,235	294	7,354	221	816
Shanghai • Sunkwan Cifi Villas (上海•上坤旭輝墅)	29,273	852,237	29,113	451	8,421	18,672	13	5,846	—	—
Residential properties ..	19,809	738,188	37,265	108	4,671	43,250	—	—	—	—
Commercial properties ..	1,349	47,760	35,404	—	—	—	—	—	—	—
Car parks	8,115	66,289	8,169	343	3,750	10,933	13	5,846	—	—
Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	12,259	291,406	23,771	858	17,883	20,843	383	19,749	4,174	21,740
Commercial properties ..	12,259	291,406	23,771	858	17,883	20,843	383	19,749	4,174	21,740

FINANCIAL INFORMATION

	Year Ended December 31,						Four Months Ended April 30,					
	2017			2018			2019			2020		
	Recognized GFA	Revenue	Recognized ASP	Recognized GFA	Revenue	Recognized ASP	Recognized GFA	Revenue	Recognized ASP	Recognized GFA	Revenue	Recognized ASP
	(sq.m.)	(in RMB thousands)	(RMB/sq.m.)	(sq.m.)	(in RMB thousands)	(RMB/sq.m.)	(sq.m.)	(in RMB thousands)	(RMB/sq.m.)	(sq.m.)	(in RMB thousands)	(RMB/sq.m.)
Shanghai •												
Sunkwan Joy												
City												
(上海•上坤樂												
城)	1,050	22,723	21,641	—	—	—	—	—	—	—	—	—
Residential												
properties ..	242	5,615	23,202	—	—	—	—	—	—	—	—	—
Commercial												
properties ..	503	14,960	29,742	—	—	—	—	—	—	—	—	—
Car parks	305	2,148	7,043	—	—	—	—	—	—	—	—	—
Shanghai •												
Sunkwan												
Flourish Villa												
(上海•上坤樾	—	—	—	45,469	2,543,110	55,931	402	23,967	59,619	—	—	—
山美墅)												
Residential												
properties ..	—	—	—	45,469	2,543,110	55,931	402	23,967	59,619	—	—	—
Shanghai •												
Sunkwan												
Flourish												
Seasons												
(上海•上坤樾	—	—	—	32,164	1,403,433	43,634	1,970	23,580	11,970	—	140	1,008
山四季)												7,200
Residential												
properties ..	—	—	—	32,164	1,403,433	43,634	206	8,977	43,578	—	—	—
Car parks	—	—	—	—	—	—	1,764	14,603	8,278	—	140	1,008
Shanghai •												7,200
Future Land												
Flourish Jade												
(上海•新城樾	—	—	—	54,994	2,215,663	40,289	2,673	105,748	39,562	688	30,081	43,722
山璟里)												5,804
Residential												
properties ..	—	—	—	51,928	2,188,679	42,148	2,379	103,236	43,395	646	29,757	46,063
Car parks	—	—	—	3,066	26,984	8,801	294	2,512	8,544	42	324	7,714
											650	5,804

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During the Track Record Period, the recognized ASP for some of our projects has experienced fluctuation:

- The recognized ASP of Shanghai • Sunkwan Cifi Villas decreased from RMB29,113 per sq.m. in 2017 to RMB18,672 per sq.m. in 2018, and further to RMB5,846 per sq.m. in 2019. The downward trend was primarily due to a decrease in the recognized GFA from residential units throughout the Track Record Period and an increase in the recognized GFA from car parks, which have a substantially lower recognized ASP during the same period.
- The recognized ASP of Shanghai • Sunkwan Flourish Seasons decreased from RMB43,634 per sq.m. in 2018 to RMB11,970 per sq.m. in 2019, primarily due to the recognized GFA of the project was solely from delivery of residential units in 2018, whereas most of the recognized GFA of the project was from delivery of car parks, which have a substantially lower recognized ASP, in 2019.
- The recognized ASP of Shanghai • Future Land Flourish Moon decreased from RMB61,027 per sq.m. in 2018 to RMB47,722 per sq.m. in 2019, primarily due to (i) the fact that we started to deliver car parks of the project in 2019, which have a substantially lower recognized ASP and (ii) a decrease in recognized GFA resulting from delivery of townhouses, which have a higher recognized ASP, in 2019. The recognized ASP of Shanghai • Future Land Flourish Moon decreased from RMB50,423 per sq.m. in the four months ended April 30, 2019 to RMB6,411 per sq.m. in the same period in 2020, primarily because the recognized GFA of the project was solely from delivery of car parks, which have a substantially lower recognized ASP, in the four months ended April 30, 2020.
- The recognized ASP of Shanghai • Future Land Flourish Jade decreased from RMB43,722 per sq.m. in the four months ended April 30, 2019 to RMB5,804 per sq.m. in the same period in 2020, primarily due to the recognized GFA of the project was substantially from delivery of residential units in the four months ended April 30, 2019, whereas the recognized GFA of the project was solely from delivery of car parks, which have a substantially lower recognized ASP, in the same period in 2020.

In addition, during the Track Record Period, 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 and RMB1,408.2 million in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. See “Business — Our Property Projects — Property Projects Developed by Our Subsidiaries” and “Business — Our Property Projects — Property Projects Developed by Joint Ventures and Associates” for more details.

Year Ended December 31,

Note:

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The recognized ASP of residential properties increased from RMB37,096 per sq.m. in 2017 to RMB48,314 per sq.m. in 2018, but later decreased to RMB40,137 per sq.m. in 2019. The fluctuation from 2017 to 2019 was primarily due to (i) the higher recognized GFA resulting from delivery of townhouses and houses in 2018, which have a higher recognized ASP than that of our other types of property projects such as low-rise apartment buildings, and (ii) the expansion of our business into Suzhou in 2019, where the properties have a lower ASP than that of the properties located in Shanghai. The recognized ASP of residential properties decreased from RMB52,947 per sq.m. in the four months ended April 30, 2019 to RMB48,658 per sq.m. in the four months ended April 30, 2020, primarily due to (i) the continued delivery of low-rise apartment buildings, which we started to deliver in June 2019 and had a relatively lower ASP as compared to townhouses and houses we delivered in the same period in 2019, and (ii) such delivered low-rise apartment buildings were located in Suzhou, where the ASP of properties in general was lower than that of properties located in Shanghai.

Furthermore, during the Track Record Period, almost all of our residential properties delivered in Shanghai were located in Songjiang District. According to E-House, in Songjiang District, the ASP of houses and townhouses is generally higher than that of other types of residential properties such as low-rise apartment buildings.

In 2017, our recognized ASP of residential properties was RMB37,096 per sq.m., mainly resulting from the delivery of low-rise apartment buildings under our Shanghai • Sunkwan Cifi Villas project in Songjiang District.

In 2018, our recognized ASP of residential properties was RMB48,314 per sq.m., mainly resulting from the delivery of townhouses and houses under our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects in Songjiang District.

In 2019, along with our business expansion to Suzhou, our recognized ASP of residential properties located in Songjiang District and Suzhou was RMB50,794 per sq.m and RMB23,798 per sq.m, respectively, mainly resulting from the delivery of townhouses and houses under our Shanghai • Sunkwan Flourish Villa, Shanghai • Sunkwan Flourish Seasons, Shanghai • Future Land Flourish Jade, Shanghai • Future Land Flourish Moon, Shanghai • Sunkwan Flourish Peninsula and Shanghai • Future Land Flourish Peninsula projects in Songjiang District, and the delivery of low-rise apartment buildings under our Suzhou • Sunkwan Riverside Seasons and Suzhou • Changshu Phoenix Garden projects, respectively.

In the four months ended April 30, 2020, our recognized ASP of residential properties located in Songjiang District and Suzhou was RMB50,314 per sq.m and RMB20,987 per sq.m, respectively, mainly resulting from the delivery of townhouses and houses under our Shanghai • Sunkwan Flourish Peninsula project in Songjiang District and the delivery of low-rise apartment buildings under our Suzhou • Sunkwan Riverside Seasons project in Suzhou, respectively.

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According to E-House, during the Track Record Period, our recognized ASPs for residential properties were generally in line with the market selling prices for similar property types located in Songjiang District and Suzhou. However, our recognized ASP of residential properties located in Suzhou in the four months ended April 30, 2020 was relatively lower than the market selling prices in the same period. Such relatively lower recognized ASP was mainly resulting from the delivery of the remaining low-rise apartment units under our Suzhou • Sunkwan Riverside Seasons project. Such remaining apartment units were contracted and sold in 2019 when low-rise apartment buildings in Suzhou had a relatively lower market selling prices as compared to the four months ended April 30, 2020. In addition, such remaining apartment units had a relatively unfavorable layout and location within the apartment buildings, which also contributed to their relatively lower ASP.

The recognized ASP of commercial properties decreased from RMB25,096 per sq.m. in 2017 to RMB20,843 per sq.m. in 2018, and further decreased to RMB19,749 per sq.m in 2019, primarily because the recognized GFA of 2018 and 2019 was resulting from the sale of remaining unsold units in the existing commercial property projects, which have lower recognized ASP because of their relatively unfavorable location within such commercial properties due to accessibility. No commercial properties were delivered in the four months ended April 30, 2020.

The recognized ASP of car parks increased from RMB8,137 per sq.m. in 2017 to RMB8,993 per sq.m. in 2018, but later decreased to RMB5,364 per sq.m in 2019. The recognized ASP of car parks decreased from RMB8,377 per sq.m. in the four months ended April 30, 2019 to RMB5,881 per sq.m. in the four months ended April 30, 2020. The fluctuation during the Track Record Period was in line with the trends for the recognized ASP of residential properties, primarily due to changes of our product mix and business expansion during the same 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.

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The table below sets forth information relating to our property lease income by project and as percentage of total property lease income for the periods indicated:

Property Project	Occupancy Rate ⁽¹⁾			Revenue Contribution for								Revenue per sq.m. for			
	as of December 31,		as of	the Year Ended December 31,				the Four Months Ended April 30,				the Year Ended December 31,			
	2017	2018	2019	2020	2020	July 31,	2017	2018	2019	2020	2020	2017	2018	2019	2020
			(%)				RMB	%	RMB	%	RMB	%	RMB	%	(RMB)
(In thousands, except for percentages)															
(Unaudited)															
Shanghai • Sunkwan Upper Commercial Plaza (investment) ..	100.0	100.0	100.0	75.4	75.4	75.4	5,539	17.3	5,640	10.8	7,378	11.6	1,622	8.8	1,268
Shanghai • Sunkwan Upper Commercial Plaza (leaseback portion) ⁽²⁾	93.8	96.1	86.9	87.0	85.3	85.3	9,315	29.1	12,520	23.9	14,794	23.2	4,699	25.6	2,844
Shanghai • Sunkwan Red Commercial Plaza	96.6	96.6	98.1	83.9	80.3	80.3	2,795	8.8	4,642	8.9	6,591	10.3	1,183	6.4	1,311
Shanghai • Sunkwan International Plaza Tower 3	91.6	84.7	99.1	96.9	99.1	99.1	5,797	18.1	13,034	25.0	13,587	21.3	4,565	24.8	5,373
Shanghai • Sunkwan International Plaza Tower 4	93.9	80.9	95.8	83.5	88.7	88.7	7,630	23.9	12,583	24.1	19,106	29.9	4,919	26.8	4,165
Shanghai • Sunkwan International Plaza Tower 5	56.8	48.0	100.0	66.0	95.1	95.1	889	2.8	3,812	7.3	2,397	3.7	1,394	7.6	1,542
Total							31,965	100.0	52,231	100.0	63,853	100.0	18,382	100.0	16,503

FINANCIAL INFORMATION

Notes:

- (1) Calculated as leased and managed GFA divided by total leasable GFA. In particular, for the leaseback portion under our Shanghai • Sunkwan Upper Commercial Plaza project, the occupancy rate was calculated as leased GFA divided by total leasable GFA we leased from buyer-lessors of such project since we did not have any managed GFA herein.
- (2) During the Track Record Period, we had sales and leaseback arrangement for certain parts of Shanghai • Sunkwan Upper Commercial Plaza, which GFA was excluded from our investment properties. We sold commercial units to the buyer-lessors through our subsidiary, Shanghai Qianrong while the buyer-lessors later entered into management and operation agreements with our another subsidiary, Shanghai Kunshang. See “Business — Compliance with Laws and Regulations — Non-compliance Incidents — Sales and leaseback arrangement” and “— Critical Accounting Policies and Estimates — Sales and Leaseback” for details.

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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 during the Track Record Period, 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.

- *Land use right costs.* Land use right costs include costs relating to acquisition of the rights to occupy, use and develop land which mainly represents land premiums incurred in connection with land parcels granted from the government or land parcels acquired from third parties. These costs for a project are affected by a number of factors, such as the location of the underlying property, regional property market conditions, timing of the land acquisition, the project’s plot ratios, the method of acquisition and changes in PRC laws and regulations. Although we have not in the past been required to do so, we may be required to pay demolition and resettlement costs, subject to the condition of the land parcel that is acquired.
- *Construction costs.* Construction costs include all the costs for the design and construction of a project, including contractor fees, costs of construction materials and labor costs. Our construction costs are affected by a number of factors, including the type and geographic locations of the properties being constructed or the type and amount of construction materials to be used, which may vary from city to city.
- *Capitalized interest.* We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the construction of a particular project. Finance costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

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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	%	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Cost of properties sold										
Land use right costs	427,152	51.5	1,082,561	32.6	1,919,800	43.0	169,844	29.4	188,972	34.0
Construction costs	294,636	35.5	1,747,724	52.6	2,051,721	46.0	323,305	55.9	285,749	52.0
Capitalized interest	57,935	7.0	423,414	12.7	437,617	9.8	69,479	12.0	70,235	12.8
Impairment ⁽³⁾	44,319	5.3	58,521	1.8	37,912	0.8	12,406	2.1	4,652	0.8
Subtotal	824,042	99.3	3,312,220	99.7	4,447,050	99.6	575,034	99.4	549,608	98.9
Cost of consulting services . .	—	—	2,644	0.1	10,347	0.2	1,795	0.3	3,536	0.6
Cost of property lease	5,773	0.7	6,781	0.2	6,837	0.2	1,780	0.3	2,665	0.5
Total	829,815	100.0	3,321,645	100.0	4,464,234	100.0	578,609	100.0	555,809	100.0
Total recognized GFA										
(sq.m.)	42,913		143,866		196,355		22,623		23,947	
Average cost per sq.m. recognized (RMB) ⁽¹⁾	19,203		23,023		22,648		25,418		22,951	
Average cost per sq.m. as % of recognized ASP	70.5%		48.8%		59.7%		50.9%		48.9%	
Average land use right cost per sq.m. recognized (RMB) ⁽²⁾	9,954		7,525		9,777		7,508		7,891	
Average land use right cost per sq.m. as % of recognized ASP	36.5%		15.9%		25.8%		15.0%		16.8%	

Notes:

- (1) Refers to the average cost of our property sales (excluding the costs associated with property lease and consulting services) and is derived by dividing the sum of land use right costs, construction costs, capitalized interest and impairment for a period by the total recognized GFA in that period.
- (2) Refers to the average land use right cost of our property sales (excluding the costs associated with property lease and consulting services) and is derived by dividing the land use right costs for a period by the total recognized GFA in that period.
- (3) 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. See “— Certain Balance Sheet Items — Properties under Development.”

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Our cost of sales increased by 300.3% from RMB829.8 million in 2017 to RMB3,321.6 million in 2018, primarily due to the increase in the scale of our operations as evidenced by the increase in the number of property projects completed and delivered. Our cost of sales increased by 34.4% from RMB3,321.6 million in 2018 to RMB4,464.2 million in 2019, primarily due to the increase in the GFA delivered for our Shanghai • Sunkwan Flourish Peninsula, Shanghai • Future Land Flourish Moon and Suzhou • Sunkwan Riverside Seasons projects. Cost of sales as a percentage of our revenue decreased from 69.1% in 2017 to 48.5% in 2018, but increased to 59.2% in 2019, primarily because we delivered Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villa projects in 2018, which entailed low acquisition costs but delivered high return.

Our cost of sales decreased by 3.9% from RMB578.6 million in the four months ended April 30, 2019 to RMB555.8 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. Such lower development costs were primarily because we recognized relatively lower construction costs from the abovementioned project in the four months ended April 30, 2020 than the same period in 2019. The construction costs of our property projects are recognized based on their delivered GFA during the period and their construction costs per sq.m. In particular, construction costs per sq.m. are calculated as total construction costs of the property project divided by its total saleable GFA upon completion. In the four months ended April 30, 2020, the GFA delivered by our Shanghai • Sunkwan Flourish Peninsula project was approximately the same with GFA delivered by our Shanghai • Future Land Flourish Moon project in the same period in 2019. However, benefiting from its substantial larger total saleable GFA upon completion as compared to our Shanghai • Future Land Flourish Moon project, our Shanghai • Sunkwan Flourish Peninsula project entailed a relatively lower construction costs per sq.m. due to the effect of economies of scale. As a result, we recorded a decrease in construction costs during the four months ended April 30, 2020 as compared to the same period in 2019.

Our average cost per sq.m. as % of recognized ASP decreased from 70.5% in 2017 to 48.8% in 2018, primarily because the higher gross profit margin in 2018 resulting from the sales of projects, which were mainly comprised of townhouses, houses and low-rise apartment buildings. Our average cost per sq.m. as % of recognized ASP later increased to 59.7% in 2019, primary due to the lower gross profit margin in 2019 mainly caused by our expansion into Suzhou. The ASP of properties located in Suzhou in 2019 was relatively lower than that of the properties located in Shanghai. Our average cost per sq.m. as % of recognized ASP decreased from 50.9% in the four months ended April 30, 2019 to 48.9% in the same period in 2020. Such decrease was primarily due to the higher gross profit margin in the four months ended April 30, 2020, which was mainly driven by a decrease in cost of sales resulted from the delivery of our Shanghai • Sunkwan Flourish Peninsula project, while our revenue remained relatively stable during the same period.

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Our average land use right cost per sq.m. as % of recognized ASP decreased from 36.5% in 2017 to 15.9% in 2018, but later increased to 25.8% in 2019. Our average land use right cost per sq.m. as % of recognized ASP increased from 15.0% in the four months ended April 30, 2019 to 16.8% in the same period in 2020. The fluctuation during the Track Record Period was primarily due to the changes in land use right costs resulting from the number of lands we acquired through public tender, auction or listing-for-sale process.

Gross Profit and Gross Profit Margin

The table below sets forth information relating to the gross profit and gross profit margin of each of our business lines and by types of property for the periods indicated:

	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	Gross		Gross		Gross		Gross		Gross	
	Profit	Margin	Profit	Margin	Profit	Margin	Profit	Margin	Profit	Margin
	(In RMB		(In RMB		(In RMB		(In RMB		(In RMB	
	thousands)	%	thousands)	%	thousands)	%	thousands)	%	thousands)	%
	(Unaudited)									
Sales of properties	345,095	29.5	3,476,907	51.2	3,002,148	40.3	554,538	49.1	574,574	51.1
Residential properties . . .	155,567	20.9	3,457,455	51.3	2,989,730	40.5	552,262	49.6	574,295	51.3
Commercial properties . . .	167,676	47.3	6,960	38.9	2,914	38.5	1,831	43.9	—	—
Car parks	21,852	30.7	12,492	39.6	9,504	14.5	445	3.8	279	4.9
Property lease income	26,192	81.9	45,450	87.0	57,016	89.3	16,602	90.3	13,838	83.9
Consulting services	—	—	3,434	56.5	11,761	53.2	2,094	53.8	4,279	54.8
Total	371,287	30.9	3,525,791	51.5	3,070,925	40.8	573,234	49.8	592,691	51.6

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.

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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, namely Suzhou • Sunkwan Riverside Seasons and Suzhou • Changshu Phoenix Garden 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. It was mainly attributed to the delivery of our Shanghai • Sunkwan Flourish Peninsula project, which contributed 97.1% of our revenue from sales of properties in the four months ended April 30, 2020 and entailed a relatively lower construction and installation costs as compared to our Shanghai • Future Land Flourish Moon project, which contributed 96.9% of our revenue from sales of properties in the same period in 2019.

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 83.8% 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%, 53.9% and 54.7% in 2018, 2019 and the four months ended April 30, 2019 and 2020, respectively.

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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	%	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Remeasurement gain on investment in a joint venture held before business combination	—	—	—	—	4,891	43.5	—	—	—	—
Gain on disposal of subsidiaries	—	—	3,275	43.4	—	—	—	—	—	—
Forfeiture of deposits	2,878	54.5	2,929	38.8	1,853	16.5	236	20.5	357	22.9
Government grants	1,342	25.4	1,133	15.0	3,866	34.4	562	49.0	1,033	66.2
Gain on disposal of items of property, plant and equipment	973	18.4	—	—	64	0.6	—	—	—	—
Others	92	1.7	209	2.8	568	5.0	350	30.5	170	10.9
Total	5,285	100.0	7,546	100.0	11,242	100.0	1,148	100.0	1,560	100.0

We previously held a 25% equity interest in Changshu Gongzhu which was accounted for as a joint venture. We later acquired an additional 25% equity interest in Changshu Gongzhu from an independent third party in August 2019, and made it a subsidiary of us since then. The previously held 25% equity interest was therefore remeasured to fair value and a remeasurement gain of RMB4.9 million was recognized in profit or loss on the acquisition date accordingly. See Note 34 to the Accountants’ Report in Appendix I for a detailed description of our acquisition of equity interest in Changshu Gongzhu.

We disposed of certain subsidiaries during the Track Record Period and recorded gains on such disposals in an aggregate amount RMB3.3 million in 2018. See Note 35 to the Accountants’ Report in Appendix I for a detailed description of the subsidiaries we disposed.

Forfeiture of deposits primarily represented forfeited deposits received from certain potential customers who did not subsequently enter into pre-sale or sales contracts with us and penalties received from certain customers due to their breach of pre-sale or sales contracts with us, as well as penalties received from tenants of our investment properties due to their breach of lease agreements. In 2017, 2018 and 2019, our forfeiture of deposits amounted to RMB2.9

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million, RMB2.9 million and RMB1.9 million, respectively. In the four months ended April 30, 2019 and 2020, our forfeiture of deposits amounted to RMB0.2 million and RMB0.4 million, respectively. The relatively higher amount of forfeiture of deposits in 2017 and 2018 was primarily due to the relatively higher deposit for our Shanghai • Sunkwan Flourish Villas, Shanghai • Sunkwan Flourish Seasons and Shanghai • Future Land Flourish Jade projects, which were mainly comprised of townhouses and houses and thus enjoyed a relatively higher unit price for the properties sold. 6.5%, 1.9%, 0.7%, 0.5% and 0.2% of our customers of sales of residential properties forfeited their deposits in 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020, respectively. The relatively higher pre-sale or sales contracts breach rate in 2017 was mainly caused by the new control measures on property purchase imposed by local government in Shanghai, which limited the financing resources for our customers to purchase residential properties.

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 during the Track Record Period, which primarily include costs incurred in connection with outdoor advertisements and our promotional offers.

The following table sets forth the breakdown of our selling and distribution expenses, in absolute amounts and as percentages of total selling and distribution expenses, for the periods indicated:

	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Advertising and										
marketing expenses ..	44,344	56.5	52,759	32.7	75,530	35.4	19,482	38.3	10,490	20.2
Staff costs	14,371	18.3	35,632	22.1	68,020	31.8	17,489	34.4	18,239	35.1
Sales agent fees	7,197	9.2	50,869	31.5	38,362	18.0	7,670	15.1	12,385	23.8
Management fees and										
maintenance	8,777	11.2	13,016	8.1	13,427	6.3	2,928	5.8	7,739	14.9
Office expenses	2,664	3.4	5,753	3.6	14,641	6.9	2,294	4.5	1,148	2.2
Others	1,129	1.4	3,191	2.0	3,673	1.7	968	1.9	2,035	3.9
Total	78,482	100.0	161,220	100.0	213,653	100.0	50,831	100.0	52,036	100.0

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Our selling and distribution expenses increased by 105.4% from RMB78.5 million in 2017 to RMB161.2 million in 2018, and further by 32.6% to RMB213.7 million in 2019. Such increase from 2017 to 2019 was primarily due to our strengthened selling and marketing efforts which were generally in line with the increase of our business scale. The increase was also due to the expansion of our in-house sales and marketing team as well as the increase in the sales agents we engaged, both resulting from the significant increase in the number of new property projects. Our selling and distribution expenses remained relatively stable at RMB50.8 million in the four months ended April 30, 2019 and RMB52.0 million in the same period in 2020.

Selling and distribution expenses as a percentage of our total revenue decreased from 6.5% in 2017 to 2.4% in 2018, primarily because we enhanced our marketing activities and commenced the pre-sale in 2017 for a number of new property projects, which outpaced the total GFA we delivered during the same period. In 2018, as more property projects had been completed and delivered, our total recognized GFA increased accordingly. Selling and distribution expenses as a percentage of our total revenue increased from 2.4% in 2018 to 2.8% in 2019, primarily due to the faster growth in our selling and distribution expenses as compared to our revenue growth in 2019. Selling and distribution expenses as a percentage of our total revenue remained relatively stable at 4.4% in the four months ended April 30, 2019 and 4.5% in the same period in 2020. As mentioned above, as we continued to strengthen our selling and marketing efforts, we have incurred upfront selling and distribution expenses, while delivering the relevant GFA and recognizing such revenue at a later stage.

Administrative Expenses

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

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

	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(In thousands, except for percentages)										
(Unaudited)										
Staff costs	60,281	46.0	137,149	56.8	140,338	56.0	44,380	55.2	58,573	62.8
Traveling and office expenses	25,010	19.1	36,046	14.9	46,988	18.7	17,946	22.3	11,525	12.4
Professional fees	23,560	18.0	28,885	12.0	11,814	4.7	3,111	3.9	2,104	3.0
Entertainment expenses ..	7,927	6.0	10,792	4.5	10,514	4.2	3,438	4.3	2,815	5.0
Depreciation and amortization	3,363	2.6	12,212	5.0	14,153	5.7	4,576	5.7	4,686	2.3
Tax charges	9,105	7.0	8,811	3.7	13,891	5.5	3,181	4.0	2,436	2.6
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	1,672	1.3	5,938	2.5	5,551	2.2	2,121	2.6	2,429	2.6
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Our administrative expenses increased by 84.3% from RMB130.9 million in 2017 to RMB241.3 million in 2018, and further by 3.9% to RMB250.7 million in 2019. Our administrative expenses increased by 16.0% from RMB80.4 million in the four months ended April 30, 2019 to RMB93.3 million in the same period in 2020. Such increase during the Track Record Period was primarily due to our business expansion, which resulted in increases in our staff costs, traveling and office expenses, [REDACTED] expenses and other administrative expenses. In particular, as our [REDACTED] schedule moved forward, our [REDACTED] expenses increased significantly from RMB1.7 million in the four months ended April 30, 2019 to RMB8.7 million in the same period in 2020. The professional fees mainly consisted of management consulting service fees for some of our projects and consulting fees in relation to construction and acquisitions. In 2017, 2018, 2019 and the four months ended April 30, 2019 and 2020, our professional fees recorded RMB23.6 million, RMB28.9 million, RMB 11.8 million, RMB3.1 million and RMB2.1 million, respectively.

Administrative expenses as a percentage of our total revenue decreased from 10.9% in 2017 to 3.5% in 2018, primarily because our administrative expenses were relatively fixed as compared to our revenue growth in 2018. Administrative expenses as a percentage of our total revenue remained relatively stable at 3.5% in 2018 and 3.3% in 2019, respectively. Administrative expenses as a percentage of our total revenue increased from 7.0% in the four months ended April 30, 2019 to 8.1% in the same period in 2020, primarily due to an increase in staff costs as a result of our business expansion during the period while our revenue remained relatively stable.

Impairment Losses on Financial Assets

We made prudent general provisions for losses arising from potential bad debts in respect of our financial assets. Impairment losses on financial assets amounted to RMB1.6 million, RMB1.2 million and RMB0.4 million in 2017, 2018 and 2019, respectively. The downward trend from 2017 to 2019 was primarily due to an enhancement in our collection efforts, and a decrease in our financial assets resulting from the differences in the respective payment schedule for our financial assets. Impairment losses on financial assets increased from RMB0.1 million in the four months ended April 30, 2019 to RMB0.6 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.

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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	%	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Compensation	94	6.2	338	10.4	232	7.3	—	—	9	3.1
Donations	—	—	1,553	47.6	250	7.9	—	—	150	51.0
Penalty expenses and surcharges	1,245	82.6	1,239	38.0	451	14.3	158	58.1	121	41.2
Loss on disposal of property, plant and equipment	—	—	—	—	1,688	53.4	—	—	13	4.4
Others	168	11.2	129	4.0	538	17.0	114	41.9	1	0.3
Total	1,507	100.0	3,259	100.0	3,159	100.0	272	100.0	294	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. See “Business — Compliance with Laws and Regulations — Non-compliance Incidents” for more details.

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

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operations. The amounts of fair value adjustments have been, and may continue to change based on property market conditions in China. Our investment properties are appraised annually by our independent property valuer.

The table below sets forth information relating to our fair value gains on investment properties by project and as percentage of total fair value gains on investment properties for the periods indicated:

Property Project	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(In thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Shanghai • Sunkwan										
International Plaza										
Tower 3	48,494	19.1	35,000	21.9	47,900	27.2	14,800	27.9	3,900	31.2
Shanghai • Sunkwan										
International Plaza										
Tower 4	49,560	19.5	37,400	23.4	46,100	26.2	13,300	25.1	—	—
Shanghai • Sunkwan										
International Plaza										
Tower 5	37,759	14.9	18,800	11.8	19,400	11.0	8,600	16.2	2,500	20.0
Shanghai • Sunkwan										
Upper Commercial										
Plaza (investment)	14,100	5.5	19,300	12.1	19,800	11.3	6,600	12.5	2,200	17.6
Shanghai • Sunkwan										
Upper Commercial										
Plaza (leaseback										
portion) ⁽¹⁾⁽²⁾	48,714	19.1	(6,682)	(4.3)	(10,988)	(6.2)	(3,488)	(6.6)	(5,900)	(47.2)
Shanghai • Sunkwan Red										
Commercial Plaza	8,300	3.3	6,200	3.9	6,300	3.6	3,200	6.0	800	6.4
Shanghai • Flourish										
Project 08-06 & 08-08 .	47,300	18.6	49,800	31.2	47,300	26.9	10,000	18.9	9,000	72.0
Total	254,227	100.0	159,818	100.0	175,812	100.0	53,012	100.0	12,500	100.0

Notes:

- (1) During the Track Record Period, we had sales and leaseback arrangement for certain parts of Shanghai • Sunkwan Upper Commercial Plaza, which GFA was excluded from our investment properties and for the purpose of lease income presentation in the table above. We sold commercial units to the buyer-lessors through our subsidiary, Shanghai Qianrong while the buyer-lessors later entered into management and operation agreements with our another subsidiary, Shanghai Kunshang. See “Business — Compliance with Laws and Regulations — Non-compliance Incidents — Sales and leaseback arrangement” and “— Critical Accounting Policies and Estimates — Sales and Leaseback” for details.

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- (2) We had fair value gains of RMB48.7 million in 2017, while we incurred fair value losses of RMB6.7 million, RMB11.0 million, RMB3.5 million and RMB5.9 million in 2018, 2019 and the four months ended April 30, 2019 and 2020, respectively, for the leaseback portion of Shanghai • Sunkwan Upper Commercial Plaza. This is because, when a sale occurs, we 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, we recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessors. With a fixed term under our sales and leaseback arrangement, the shorter of the lease terms and the estimated useful lives of the assets, the associated fair value gains will decrease and we will gradually incur fair value losses.

During the Track Record Period, we had six investment properties at various development stages for which we recorded fair value gains. Fair value gains on investment properties in 2017, 2018 and 2019 amounted to RMB254.2 million, RMB159.8 million and RMB175.8 million, respectively. The higher fair value gains on investment properties recorded for 2017 was mainly due to higher fair value gains on investment properties held under lease arrangement in relation to Shanghai • Sunkwan Upper Commercial Plaza since most of the properties in this project was delivered in 2017. The increase from 2018 to 2019 was primarily due to the appreciation in value for most of our investment properties. Fair value gains on investment properties in the four months ended April 30, 2019 and 2020 amounted to RMB53.0 million and RMB12.5 million, respectively. Such decrease was 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

Financial assets at fair value through profit or loss during the Track Record Period 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 and RMB52.5 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 and RMB0.3 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.

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The following table sets forth the components of finance costs in absolute amounts for the periods indicated:

	Year Ended December 31,			Four Months Ended April 30,	
	2017	2018	2019	2019	2020
	RMB	RMB	RMB	RMB	RMB
	<i>(In thousands)</i>			<i>(Unaudited)</i>	
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 capitalized	(357,216)	(576,843)	(745,648)	(220,831)	(240,884)
Total	220,063	281,311	261,734	70,549	75,454

Interests on bank and other borrowings increased from 2017 to 2019, which was generally in line with the growing financial needs arising from our business expansion. Our interests on bank and other borrowings remained relatively stable in the four months ended April 30, 2019 and the same period in 2020. The construction period for a project does not necessarily coincide with the drawdown and repayment schedules of the relevant loan, and not all of the interest costs related to a project can be capitalized. Our finance costs may fluctuate from period to period depending on the level of total interest expenses as well as the level of interest costs that are capitalized within the reporting period.

We enter into pre-sale and/or sales contracts with our customers, subject to which we are entitled to receive considerations from customers and assume performance obligations to transfer products to them. Proceeds from customers of pre-sold properties are recorded as “contract liabilities” under the current liabilities before relevant sales revenue is recognized. The timing between the collection of proceeds and revenue recognition may not only affect the amount and growth rate of our revenue from sales of properties but also cause contract liabilities and interest expense arising from revenue contracts to fluctuate from period to period. Interest expense arising from revenue contracts were based on an incremental borrowing rate by reference to our interest-bearing bank and other borrowings and assets in the relevant period. Interest expense arising from revenue contracts amounted to RMB211.5 million, RMB204.6 million, RMB238.8 million, RMB55.5 million and RMB82.5 million in 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020, respectively, which was in line with the increase in the pre-sales of our properties.

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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. For details, please refer to “— Critical Accounting Policies and Estimates — Investments in Associates and Joint Ventures” and Note 2.4 and Note 3 of the Accountants’ Report in Appendix I for details.

During the Track Record Period, 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 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 in 2017, 2018 and 2019, respectively. The upward trend was primarily because we continuously increased investment in our joint ventures and associates to develop property projects with third parties and most of such projects were still under development during the periods.

We recorded share of profit of joint ventures of RMB6.8 million and RMB1.6 million in the four months ended April 30, 2019 and 2020, respectively. 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. It was because we further increased investment in our joint ventures with the number of our joint ventures increased from five as of April 30, 2019 to 11 as of April 30, 2020, and all property projects under such joint ventures were under development and therefore recorded relatively higher losses. Our share of losses of associates remained relatively stable at RMB2.8 million and RMB2.7 million in the four months ended April 30, 2019 and 2020, respectively. Such losses were recognized from projects with properties under development developed by our associates.

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During the Track Record Period, all of the property projects developed by our associates were in their early stage of development, which require our investment, and therefore incurred development costs. For each of the property projects developed by our associates, we have assessed their financial performance from full development cycle based on our estimation on their revenue upon completion of delivery, their estimated construction and development costs as well as their estimated operating expenses. In order to have an accurate estimation on revenue from such property projects, we refer to selling prices of comparable projects in neighboring communities and recent prevailing market price trends to formulate selling prices for such property projects as well as consider our construction plan to estimate their saleable GFA upon completion. On the other hand, leveraging our extensive experience and knowledge over property development and sales and marketing, we also estimate construction and development costs with reference to the construction schedule of relevant property project and operating expenses taking into account the potential expenses that we might incur from the ordinary course of operation and planned sales and marketing activities for the relevant property project. Based on the abovementioned assessment performed on each of the property projects developed by our associates, we expect the revenue of each of these property projects will be able to cover their respective construction and development costs and estimated operating expenses. Therefore, we expect to recognize profits from each of the property projects developed by our associates upon the properties’ completion and delivery. As a result, there were no impairments recognized from the property projects developed by our associates during the Track Record Period.

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. In 2017, 2018 and 2019, our current corporate income tax expense amounted to RMB100.6 million, RMB965.5 million and RMB866.1 million, respectively. Income tax expense increased from RMB183.2 million in 2017 to RMB2,340.2 million in 2018, but later decreased to RMB1,876.6 million in 2019. We recorded a relatively higher income tax expense in 2018 as compared to 2017 and 2019, primarily due to the increase in LAT resulting from the delivery of residential properties, including Shanghai • Sunkwan Flourish Villas, Shanghai • Sunkwan Flourish Seasons and Shanghai • Future Land Flourish Jade in 2018, which properties generated relatively higher profit margin. In the four months ended April 30, 2019 and 2020, our current corporate income tax expense amounted to RMB125.7 million and RMB136.2 million, respectively. Income tax expense decreased from RMB363.4 million in the four months ended April 30, 2019 to RMB231.1 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. Such final clearance of LAT was reviewed and approved by relevant local tax authority based on its consideration and judgment of the development and operation of these projects as well as the LAT burden of the local

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property development industry. The finalized amount of LAT for the abovementioned projects was lower than the provision we estimated in the Track Record Period. Therefore, such differences were deducted from the LAT in the four months ended April 30, 2020.

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
	<i>(in RMB thousands)</i>			<i>(Unaudited)</i>	
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	<u>(9,040)</u>	<u>(296,955)</u>	<u>(265,047)</u>	<u>2,629</u>	<u>13,688</u>
Total tax charge for					
the year/period . . .	<u>183,204</u>	<u>2,340,234</u>	<u>1,876,616</u>	<u>363,405</u>	<u>231,103</u>

	Year Ended December 31,						Four Months Ended April 30,									
	2017			2018			2019			2020						
	Tax payable		Tax recoverable	Tax payable		Tax recoverable	Tax payable		Tax recoverable	Tax payable		Tax recoverable				
	Corporate income tax	LAT	Net tax payable	Corporate income tax	LAT	Net tax payable	Corporate income tax	LAT	Net tax payable	Corporate income tax	LAT	Net tax payable				
At the beginning of the year/period																
Current tax	106,175	32,455	53,991	84,639	80,022	89,009	291,230	(122,199)	775,868	1,394,023	25,033	2,144,858	795,224	2,554,163	172,866	3,176,521
Corporate income tax	100,633	N/A	N/A	100,633	965,461	N/A	N/A	965,461	866,068	N/A	N/A	N/A	125,736	136,154	N/A	136,154
LAT	N/A	91,611	—	91,611	N/A	1,391,378	(280,350)	1,671,728	N/A	1,275,595	—	235,040	N/A	81,261	—	81,261
Tax from acquisition of subsidiaries	(94)	(35,057)	—	(94)	—	—	—	(17,021)	—	(17,021)	—	(17,021)	—	—	—	—
Tax paid	(126,692)		237,239	(398,988)	(269,615)	(86,364)	14,153	(370,132)	(846,712)	(98,434)	147,833	(1,092,979)	(116,497)	(58,781)	11,912	(222,666)
At the end of the year/period	80,022	89,009	291,230	(122,199)	775,868	1,394,023	25,033	2,144,858	795,224	2,554,163	172,866	3,176,521	785,107	2,576,643	184,778	3,171,270

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A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which we are domiciled to the income tax expense at the effective income tax rate for the periods indicated is set out below:

	Year ended December 31,			Four Months Ended	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>				
	(Unaudited)				
Profit before tax	217,782	3,013,142	2,553,505	433,489	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 utilized from					
previous years/periods	(1,022)	(53)	(3,974)	(3,836)	—
Tax losses not recognized	32,922	62,795	77,446	28,598	21,042
Deductible temporary					
differences not recognized	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 our effective rate .	183,204	2,340,234	1,876,616	363,405	231,103

In 2015, in connection with our acquisition of Sheshan Country Club, we paid a consideration with premium of RMB2,628.0 million for acquiring its equity interests. Pursuant to the relevant tax laws and regulations, such premium cannot be deductible as cost of sales before tax because it was the project acquisition cost accrued by Sunkwan Properties which acquired Sheshan Country Club and cannot be treated as the land use right cost for the project company, the entity making relevant tax filing. In line with our revenue recognition from properties delivered under Sheshan Country Club, we recognized nil, RMB921.2 million, RMB726.8 million, RMB138.8 million and RMB143.1 million from the premium as cost of sales before tax in 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020, respectively. As a result, we recorded cost not deductible for tax of nil, RMB230.3 million, RMB181.7 million, RMB34.7 million and RMB35.8 million in 2017, 2018 and 2019 and the four months ended April 30, 2019 and 2020, respectively.

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In 2017, 2018 and 2019 and the four months ended April 30, 2020, our effective income tax rate was approximately 72.6%, 49.8%, 47.0% and 48.6%, respectively. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities. Our PRC subsidiaries had obtained written confirmations from the relevant tax authorities and based on which, our PRC subsidiaries were not found to be in material violation of relevant tax laws and regulations during the Track Record Period. Furthermore, our PRC Legal Advisers have conducted online search on the websites “Credit China,” “National Enterprise Credit Information Publicity System” and websites of relevant provincial and municipal tax bureaus, and did not find any record of our PRC subsidiaries in regard with material administrative tax penalty or record of having unresolved outstanding tax due during the Track Record Period and up to the Latest Practicable Date. Based on the above and to the best knowledge, information and belief of our Directors having made all reasonable enquiries, our Directors confirm that we have not been a subject of any tax investigation or claim, which would materially and adversely affect our business, financial condition and results of operations, during the Track Record Period and up to the Latest Practicable Date.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands as an exempt company with limited liability. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax in the Cayman Islands.

Hong Kong

No provision for Hong Kong profits tax had been made during the Track Record Period as we did not generate any assessable profits arising in Hong Kong.

PRC

Income tax

Pursuant to the EIT Law, a uniform 25% enterprise income tax rate is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. We are subject to the 25% enterprise income tax rate. We had not distributed any dividends during the Track Record Period. Moreover, our funds are expected to be retained in China for our operations and we do not expect our PRC subsidiaries to distribute such earnings in the foreseeable future. Therefore, no deferred income tax needs to be recognized for withholding tax on dividends payable to non-PRC resident corporate investors.

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LAT

Under PRC laws and regulations, our subsidiaries in China that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures, and is included in the consolidated statements of profit or loss and other comprehensive income as income tax expense.

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. 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.

We recorded a net profit attributable to non-controlling interests of RMB518.4 million and RMB457.4 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 in 2018 and 2019, respectively. We recorded a net profit attributable to non-controlling interests of RMB87.7 million and RMB137.4 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 in the same periods, respectively. See “Our History, Reorganization and Corporate Structure — Our Corporate Developments,” “Business — Our Property Projects — Voting Right Arrangements” and Note 1 and Note 33 to the Accountants’ Report in Appendix I for details.

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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 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 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 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 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 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. Such lower development costs were primarily because we recognized relatively lower construction costs from the abovementioned project in the four months ended April 30, 2020 than the same period in 2019. The construction costs of our property projects are recognized based on their delivered GFA during the period and their construction costs per sq.m. In particular, construction costs per sq.m. are calculated as total construction costs of the property project divided by its total saleable GFA upon completion. In the four months ended April 30, 2020, the GFA delivered by our Shanghai • Sunkwan Flourish Peninsula project was approximately the same with GFA delivered by our Shanghai • Future Land Flourish Moon project in the same period in 2019. However, benefiting from its substantial larger total saleable GFA upon completion as compared to our Shanghai • Future Land Flourish Moon project, our Shanghai • Sunkwan Flourish Peninsula project entailed a relatively lower construction costs per sq.m. due to the effect of economies of scale. As a result, we recorded a decrease in construction costs during the four months ended April 30, 2020 as compared to the same period in 2019.

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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 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. It was mainly attributed to the delivery of our Shanghai • Sunkwan Flourish Peninsula project, which contributed approximately 95.0% of our revenue in the four months ended April 30, 2020 and entailed a relatively lower construction and installation costs as compared to our Shanghai • Future Land Flourish Moon project, which contributed approximately 95.1% of our revenue in the same period in 2019.

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 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 in the same period in 2020.

Selling and distribution expenses as a percentage of total revenue remained relatively stable at 4.4% in the four months ended April 30, 2019 and 4.5% 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 in the same period in 2020, primarily due to our business expansion, resulting in the increases in our staff costs, [REDACTED] expenses and other miscellaneous. As our [REDACTED] schedule moved forward, our [REDACTED] expenses increased significantly from RMB1.7 million in the four months ended April 30, 2019 to RMB8.7 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 in the same period in 2020, primarily due to a decrease in promotion expenses.

Administrative expenses as a percentage of total revenue increased from 7.0% in the four months ended April 30, 2019 to 8.1% in the same period in 2020, primarily due to its increase outpaced the increase in revenue during the same period.

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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 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 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 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 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 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 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. It was because we further increased investment in our joint ventures with the

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number of our joint ventures increased from five as of April 30, 2019 to 11 as of April 30, 2020, and all property projects under such joint ventures were under development and therefore recorded relatively higher losses. Our share of losses of associates remained relatively stable at RMB2.8 million and RMB2.7 million in the four months ended April 30, 2019 and 2020, respectively.

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 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 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 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. Such final clearance of LAT was reviewed and approved by relevant local tax authority based on its consideration and judgment of the development and operation of these projects as well as the LAT burden of the local property development industry. The finalized amount of LAT for the abovementioned projects was lower than the provision we estimated in the Track Record Period. Therefore, such differences were deducted from the LAT in the four months ended April 30, 2020.

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 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 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 in the same period, respectively.

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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 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 in 2019, primarily due to an increase in total recognized GFA, which was partially offset by a decrease in recognized ASP. The total recognized GFA increased from 143,866 sq.m. in 2018 to 196,355 sq.m. in 2019, primarily due to the delivery of our Shanghai • Sunkwan Flourish Peninsula and Shanghai • Future Land Flourish Moon and our expansion into Suzhou market. The recognized ASP decreased from RMB47,191 per sq.m. in 2018 to RMB37,937 per sq.m. in 2019, mainly because the ASP of properties located in Suzhou in general was lower than that of properties located in Shanghai.

Property lease. Revenue derived from property lease increased from RMB52.2 million in 2018 to RMB63.9 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 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 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 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, namely Suzhou • Sunkwan Riverside Seasons and Suzhou • Changshu Phoenix Garden 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

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Shanghai. 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 2019 was higher than that in 2018.

Other Income and Gains

Other income and gains increased by 49.3% from RMB7.5 million in 2018 to RMB11.2 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 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.

Selling and distribution expenses as a percentage of total revenue increased from 2.4% in 2018 to 2.8% in 2019, primarily due to the faster growth in our selling and distribution expenses as compared to our revenue growth in 2019. As we continued to strengthen our selling and marketing efforts in 2019, we have incurred upfront selling and distribution expenses, while delivering the relevant GFA and recognizing such revenue at a later stage.

Administrative Expenses

Our administrative expenses increased by 3.9% from RMB241.3 million in 2018 to RMB250.7 million in 2019, primarily due to our business expansion, resulting in the increase in our traveling and office expenses, the increases in [REDACTED] expenses and other miscellaneous. Our professional fees decreased by 59.2% from RMB28.9 million in 2018 to RMB11.8 million in 2019, primarily due to a decrease in management consulting service fees as we ceased engaging such services for our Shanghai • Future Land Flourish Jade, Shanghai • Future Land Flourish Moon and Shanghai • Future Land Flourish Peninsula projects.

Administrative expenses as a percentage of total revenue remained relatively stable at 3.5% in 2018 and 3.3% in 2019, respectively.

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Impairment Losses on Financial Assets

Impairment losses on financial assets decreased by 66.7% from RMB1.2 million in 2018 to RMB0.4 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 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 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 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 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 in 2019, primarily due to an increase in our share of profits resulting from the appreciation of our joint venture project, Shanghai • Sunkwan Center.

Share of Losses of Associates

Our share of losses of associates increased from RMB4.0 million in 2018 to RMB8.2 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.

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Profit Before Tax

As a result of the foregoing, we recognized profit before tax of RMB3,013.1 million and RMB2,553.5 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 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 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, 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 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. The recognized GFA increased from 42,913 sq.m. in 2017 to 143,866 sq.m. in 2018 and the recognized ASP increased from RMB27,244 per sq.m. in 2017 to RMB47,191 per sq.m. in 2018, primarily attributable to the delivery of our Shanghai • Future Land Flourish Jade, Shanghai • Sunkwan Flourish Seasons and Shanghai • Sunkwan Flourish Villas projects in 2018, which were mainly houses and townhouses, and thus, had higher recognized ASP than that of our other types of property projects, such as low-rise apartment buildings.

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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 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.

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. See Note 35 to the Accountants’ Report in Appendix I for a detailed description of subsidiaries we disposed.

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.

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Selling and distribution expenses as a percentage of total revenue decreased from 6.5% in 2017 to 2.4% in 2018, primarily because we accelerated our property development activities since 2017, which resulted in the increase in upfront expenses incurred outpaced the increase in GFA completed and delivered over the same periods.

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.

Administrative expenses as a percentage of total revenue decreased from 10.9% in 2017 to 3.5% in 2018, primarily because our administrative expenses were relatively fixed as compared to our revenue growth in the same year.

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.

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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.

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CERTAIN BALANCE SHEET ITEMS

Investment Properties

We retain a portion of the properties that we developed mainly for rental purpose and the appreciation of property value. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, in accordance with the prevailing property market conditions. During the Track Record Period, we had six investment properties at various development stages for which we recorded fair value gains. The fair value of our investment properties amounted to RMB2,582.0 million, RMB2,742.1 million, RMB2,918.4 million and RMB2,930.9 million as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively. The increase during the Track Record Period was primarily due to the increase in the fair value of most of these investment properties. See “— Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Fair Value Gains on Investment Properties” for more details.

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. Upon completion, the properties are transferred to completed properties held for sale. Our properties under development continuously increased from RMB6,486.1 million as of December 31, 2017 to RMB9,317.7 million as of December 31, 2018, to RMB10,859.3 million as of December 31, 2019 and further to RMB11,675.6 million as of April 30, 2020. The upward trend was primarily due to the continuous increases in our land bank and property development activities in relation to the expansion of our footprint over the same periods.

Losses from loss-making project companies represent the financial performance of the relevant project companies in the relevant periods, which are the differences between revenue less cost of sales and relevant expenses, such as construction costs, impairment losses we recognized from properties under development and administrative expenses. Therefore, our project companies are expected to incur substantial amount of losses in the early stage of development of their property projects since these property projects are not able to generate revenue but incur costs and expenses from development needs. 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 and RMB18.3 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

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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. As a result, our project companies generally record losses during the development period of their property projects. As the construction and pre-sale schedule move forward, most of our project companies are able to recover the costs accrued in the early stage of development and recognize profits from their property projects upon the properties’ completion and delivery. Therefore, evaluating from a full property development cycle, such project companies would record profits for us.

In addition, the value of properties under development is assessed at the end of each of periods. 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. In particular, we estimate the total impairment losses from property projects, which would incur net losses upon the completion of delivering their properties, based on our measurement on the difference between the expected selling prices of our property projects and the expected cost of sales of such property projects. During the Track Record Period, our impairment losses from properties under development were also recognized in line with costs recognized according to relevant property projects’ construction schedule. We recognized impairment losses of properties under development of RMB44.3 million, RMB58.5 million, RMB37.9 million and RMB4.7 million in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively, from our Hangzhou • Sunkwan Majestic Seasons, Suzhou • Sunkwan Riverside Seasons and Hefei • Sunkwan Begonia Seasons projects, primarily because the development costs per sq.m. that we had incurred and expect to incur for such property projects are higher than the ASP for the relevant property projects that have been pre-sold or expected to be sold. Such relatively lower ASP was caused by the approved selling prices imposed by the local pricing administration in Hangzhou, Suzhou and Hefei after their evaluation on such property projects, respectively.

Pursuant to the relevant local price restriction policies, the local pricing administration in Hangzhou, Suzhou and Hefei evaluated our Hangzhou Sunkwan Majestic Seasons, Suzhou Sunkwan Riverside Seasons and Hefei Sunkwan Begonia Seasons projects and imposed the approved selling prices on these property projects, respectively. Based on the approvals we received in January 2019, November 2017 and June 2018, respectively, these approved selling prices were 2.5%, 10.1% and 7.9% lower than our planned selling prices of the aforementioned property projects, respectively. As a result, evaluating from a full property development cycle, we expect to recognize a total impairment losses of RMB33.4 million, RMB102.0 million and RMB35.3 million for our Hangzhou • Sunkwan Majestic Seasons, Suzhou • Sunkwan Riverside Seasons and Hefei • Sunkwan Begonia Seasons projects upon their completion of delivery, respectively, which primarily represented the unrecoverable development costs and expenses in associated with such property projects. Along with its respective construction schedule, we made provision for impairment losses for each of aforementioned property projects in line with their development costs.

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As of December 31, 2017, 2018 and 2019 and April 30, 2020, the provision for impairment of properties under development amounted to RMB65.6 million, RMB124.1 million, RMB60.1 million and RMB64.8 million, respectively. The changes during the Track Record Period was primarily affected by the construction schedule by transferring our properties under development to completed properties.

As of August 31, 2020, approximately RMB673.7 million, or 5.8% of our properties under development as of April 30, 2020, was transferred to completed properties held for sale.

Completed Properties Held for Sale

Completed properties held for sale represent completed properties remained unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of completed properties held for sale refers to the related costs incurred 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 selling expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As of December 31, 2017, 2018 and 2019 and April 30, 2020, we had completed properties held for sale of RMB70.7 million, RMB1,046.9 million, RMB1,051.8 million and RMB506.8 million, respectively. We have obtained the construction completion certificates in respect of all completed properties held by us for sale.

In addition, the value of completed properties held for sale is assessed at the end of each of periods. An impairment exists when the carrying value exceeds its net realizable value which is calculated based on the expected selling prices less costs to be incurred in selling the properties. In 2019, we had impairment losses of RMB101.9 million transferred from properties under development to completed properties held for sale. As of December 31, 2017, 2018 and 2019 and April 30, 2020, the provision for impairment of completed properties held for sale amounted to nil, nil, RMB31.5 million and RMB23.2 million, respectively. The provision for impairment of completed properties held for sale as of December 31, 2019 and April 30, 2020 was primarily attributable to the completion of our property project located in Suzhou, namely Suzhou • Sunkwan Riverside Seasons.

As of August 31, 2020, approximately RMB182.5 million, or 36.0% of our completed properties held for sale as of April 30, 2020, was subsequently delivered.

Trade Receivables

Trade receivables mainly represent rents receivable from tenants. We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by management. In particular, pursuant to our lease agreements with tenants, we generally require tenants to prepay their rents for the first quarter in advance when entering into the lease agreements with us. For the subsequent rents, we bill our tenants on a quarterly basis and grant them a credit period ranging from 90 days to 180 days to support their business and secure our long-term cooperation with them. In view of the aforementioned and the fact that our trade

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receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

Our trade receivables increased from RMB18.8 million as of December 31, 2017 to RMB28.9 million as of December 31, 2018 and further to RMB46.7 million as of December 31, 2019. The upward trend reflected an increase in the business scale of our investment properties. Our trade receivables decreased from RMB46.7 million as of December 31, 2019 to RMB35.2 million as of April 30, 2020, primarily due to the enhanced collection measures we adopted during the four months ended April 30, 2020.

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Four Months Ended
	2017	2018	2019	April 30, 2020
Trade receivables turnover days ⁽¹⁾	124.3	168.5	219.2	307.9

Note:

- (1) Calculated based on the average of the beginning and ending trade receivables balances (before impairment) divided by total property lease income for the year/period and multiplied by 365 days for a year or 121 days for four months.

In 2017, 2018 and 2019, our trade receivables turnover days were 124.3 days, 168.5 days and 219.2 days, respectively. The upward trend in our trade receivables turnover days from 2017 to 2019 was primarily due to the increased credit period we granted to certain of our long-term tenants and the increased number of new tenants who can pay their rents at a later stage, resulting from the measures we adopted to support their business and increase our occupancy rate. Further, in the four months ended April 30, 2020, our trade receivables turnover days increased to 307.9 days, primarily due to the decrease in property lease income outpaced the decrease in trade receivables during the same period. Such relatively lower property lease income was primarily 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 will continue to monitor our trade receivables turnover days and enhance our collection efforts going forward.

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The table below sets forth the aging analysis of our trade receivables as of the dates indicated, based on the due date:

	As of December 31, 2017				As of December 31, 2018				As of December 31, 2019				As of April 30, 2020				As of August 31, 2020	
	Gross Carrying Amount		Trade Receivables		Gross Carrying Amount		Trade Receivables		Gross Carrying Amount		Trade Receivables		Gross Carrying Amount		Trade Receivables		Subsequent Settlement	
	RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB	
	%		%		%		%		%		%		%		%			
<i>(In thousands, except for percentages)</i>																		
Current	54.5	10,340	10	10,330	46.7	13,656	14	13,642	50.6	24,021	24	23,997	46.6	17,007	51	16,956	8,433	
Less than one month .	8.7	1,642	8	1,634	7.2	2,113	10	2,103	4.6	2,203	11	2,192	5.8	2,125	15	2,110	976	
One to six months . . .	29.9	5,678	57	5,621	30.9	9,051	90	8,961	21.6	10,238	102	10,136	28.3	10,343	310	10,033	3,139	
Six months to one year	6.9	1,318	66	1,252	14.9	4,359	218	4,141	18.4	8,721	436	8,285	14.3	5,228	523	4,705	3,041	
Over one year	—	—	—	—	0.2	66	7	59	4.8	2,279	228	2,051	5.0	1,815	454	1,361	1,396	
Total	100.0	18,978	141	18,837	100.0	29,245	339	28,906	100.0	47,462	801	46,661	100.0	36,518	1,353	35,165	16,985	

There were no trade receivables that were past due but not made provision at the end of each reporting period.

As of August 31, 2020, RMB17.0 million, or 46.5% of our total gross carrying amount of trade receivables as of April 30, 2020, had been settled. For the remaining unsettled overdue trade receivables, we will continue to enhance our collection efforts from our customers and tenants. In particular, as an additional assurance for the collection of rents from tenants, we require our tenants to make deposits in an amount of their two to three months' rents so as to secure our claims over overdue rents. As of April 30, 2020, such deposits amounted to RMB17.6 million.

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Prepayments, Other Receivables and Other Assets

The following table sets out the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	April 30,
				2020
	<i>(In RMB thousands)</i>			
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
Total	2,700,856	2,981,043	3,059,260	3,196,768
Less: Impairment	(1,621)	(2,575)	(2,503)	(2,556)
	<u>2,699,235</u>	<u>2,978,468</u>	<u>3,056,757</u>	<u>3,194,212</u>

Due from Non-controlling Shareholders of the Subsidiaries

Amounts due from non-controlling shareholders of subsidiaries are mainly cash advances made from our non-wholly-owned subsidiaries, which are project companies formed by our business partners and us, to independent third party non-controlling shareholders. Such cash advances mainly are surplus funds held by our non-wholly-owned subsidiaries received from capital contributions paid by us and independent third party non-controlling shareholders or the pre-sale of the jointly-developed projects. As part of the cooperation arrangements to support each party’s financing and operation needs, our business partners are entitled to receive interest-free cash advances in an amount in proportion to their respective shareholding percentages in such project companies from the surplus funds. In the event that there is any additional working capital needs arising from the jointly-developed projects, our business

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partners are required to timely repay the cash advances they received to the respective non-wholly-owned subsidiary. According to E-house, with respect to the surplus funds held by jointly-developed project companies, it is a common business arrangement that property developers in the PRC real estate market to utilize such surplus funds in their group-level operations by receiving interest-free cash advances from relevant jointly-developed project companies according to their respective shareholding percentages in such project companies and repay such cash advances they received when relevant jointly-developed project companies need additional working capital.

Surplus Fund Management

During the course of our business, we have established a series of approval process and internal control measures to manage the use of surplus funds from our non-wholly-owned subsidiaries, including:

- *Conditions for use of surplus funds:* Surplus funds are generally considered available when the following conditions are 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.
- *Approval process:* When a cash advance payment is proposed by the relevant non-controlling shareholder, the project company will review such request based on advices from its internal payment finance team, working capital management team and tax management team. The general manager of the project company will then review the request based on the opinion formed by the abovementioned teams at the project company level. Later on, the project company will submit a proposal for making the cash advances to the president of our Group for final review and approval, which shall set forth detailed reasons for making the cash advances and basis for the fulfilment of the abovementioned conditions. In addition, pursuant to the cooperation agreements we entered into with our business partners, each shareholder of the project companies is entitled to receive cash advances from surplus funds on a pro rata basis based on their capital contribution and each shareholder is entitled to receive such payment from the project companies without any limitation on frequency.

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- *Repayment and subsequent settlement of cash advances from surplus funds:* Pursuant to the cooperation agreements entered into among us and the non-controlling shareholders, the non-controlling shareholders are required to repay the cash advances to the project companies when the project companies have capital needs, or may settle the cash advances upon the final distribution of retained earnings of the project companies upon the completion of the relevant projects. With respect to repayment, the project company shall submit a proposal with quantitative analysis of its capital needs and its plan for utilizing the funds, which will be reviewed and approved by the Group. Alternatively, when the projects are completed as well as fulfill the conditions for releasing the restrictions on pre-sale proceeds and are no longer subject to the relevant governmental restrictions for pre-sale proceeds, if there are surplus funds, pursuant to the cooperation agreements entered into among us and our business partners, all parties are entitled to the pro rata portion of the remaining surplus funds based on each party’s respective capital contribution. Therefore, with respect to settlement upon the completion of project, the Group and the non-controlling shareholders will settle such cash advances based on their detailed review of the project company’s management accounts.

During the Track Record Period, we jointly operated ten project companies with independent third party non-controlling shareholders in the development of 19 of our property projects. Most of the independent third party non-controlling shareholders cooperating with us in these property projects were controlled by reputable property developers in China. We also collaborated with local property developers in developing certain of our property projects so as to leverage their experience in the relevant local markets. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiry, save as Cixi Xinda Construction Industrial Co., Ltd., which has been one of our construction contractors since July 2018, there is no other past or present relationship between such independent third party non-controlling shareholders and us, our subsidiaries, shareholders, directors, senior management, or any of their respective associates, except for the business cooperation formed through our relevant project companies. We recorded amounts due from non-controlling shareholders of subsidiaries of RMB1,614.5 million, RMB2,560.0 million, RMB2,483.0 million and RMB2,535.2 million as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively. The fluctuation was primarily due to the changes in the number of our non-wholly-owned subsidiaries.

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The following table sets forth the details of our due from non-controlling shareholders of the subsidiaries as of December 31, 2017:

<u>Project Company</u>	<u>Property Project</u>	<u>Non-controlling Shareholder of our Subsidiary⁽¹⁾</u>	<u>Effective Equity Interest Held by Business Partners as of the Latest Practicable Date</u>	<u>Amounts Due from Non-controlling Shareholders of the Subsidiaries</u>		<u>Reason for Outstanding Balance</u>
<i>(in RMB thousands, except for percentages)</i>						
Sheshan Country Club	Shanghai • Flourish projects	Shanghai Songrui Real Estate Development Limited	50.0%	1,357,000	84.1	Cash advances provided from surplus funds of the pre-sale proceeds, which will be repaid when additional working capital is needed by the projects
Shanghai Kunhui	Shanghai • Sunkwan Cifi Villas	CIFI Group Co., Ltd.	50.0%	199,094	12.3	Cash advances provided from surplus funds of the pre-sale proceeds, which will be settled upon the distribution of profits after the completion of the project
Others ⁽²⁾				58,392	3.6	
Total				1,614,486	100.0	

Notes:

- (1) For details of the non-controlling shareholders of our subsidiaries, please refer to “Our History, Reorganization and Corporate Structure — Our Corporate Developments.”
- (2) Including a total of three project companies with a total of three non-controlling shareholders.

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The following table sets forth the details of our due from non-controlling shareholders of the subsidiaries as of December 31, 2018:

Project Company	Property Project	Non-controlling Shareholder of our Subsidiary ⁽¹⁾	Effective Equity Interest Held by Business Partners as of the Latest Practicable Date	Amounts Due from Non-controlling Shareholders of our Subsidiaries		Reason for Outstanding Balance
(in RMB thousands, except for percentages)						
Sheshan Country Club	Shanghai • Flourish projects	Shanghai Songrui Real Estate Development Limited	50.0%	1,732,000	67.7	Cash advances provided from surplus funds of the pre-sale proceeds, which will be repaid when additional working capital is needed by the projects
Dongguan Herui	Dongguan • Champagne Garden	Poly Bay Area Investment Development Co., Ltd.	25.0%	400,000	15.6	Cash advances provided from surplus funds of capital contribution, which had been repaid by the business partner in January 2019
Shanghai Kunhui	Shanghai • Sunkwan Cifi Villas	CIFI Group Co., Ltd.	50.0%	159,386	6.2	Cash advances provided from surplus funds of the pre-sale proceeds, which will be settled upon the distribution of profits after the completion of the project
Others ⁽²⁾				268,629	10.5	
Total				2,560,015	100.0	

Notes:

- (1) For details of the non-controlling shareholders of our subsidiaries, please refer to “Our History, Reorganization and Corporate Structure — Our Corporate Developments.”
- (2) Including a total of six project companies with a total of 12 non-controlling shareholders.

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The following table sets forth the details of our due from non-controlling shareholders of the subsidiaries as of December 31, 2019:

Project Company	Property Project	Non-controlling Shareholder of our Subsidiary ⁽¹⁾	Effective Equity Interest Held by Business Partners as of the Latest Practicable Date	Amounts Due from Non-controlling Shareholders of our Subsidiaries		Reason for Outstanding Balance
<i>(in RMB thousands, except for percentages)</i>						
Sheshan Country Club	Shanghai • Flourish projects	Shanghai Songrui Real Estate Development Limited	50.0%	1,639,670	66.0	Cash advances provided from surplus funds of the pre-sale proceeds, which will be repaid when additional working capital is needed by the projects
Jinhua Jingkun	Jinhua • Dongyang Metropolis	Quzhou Taiduo Real Estate Development Limited	49.0%	357,148	14.4	Cash advances provided from surplus funds of capital contribution, which will be repaid when additional working capital is needed by the projects
Shanghai Kunhui	Shanghai • Sunkwan Cifi Villas	CIFI Group Co., Ltd.	50.0%	149,386	6.0	Cash advances provided from surplus funds of the pre-sale proceeds, which will be settled upon the distribution of profits after the completion of the project
Others ⁽²⁾				336,832	13.6	
Total				2,483,036	100.0	

Notes:

- (1) For details of the non-controlling shareholders of our subsidiaries, please refer to “Our History, Reorganization and Corporate Structure — Our Corporate Developments.”
- (2) Including a total of five project companies with a total of 13 non-controlling shareholders.

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The following table sets forth the details of our due from non-controlling shareholders of the subsidiaries as of April 30, 2020:

Project Company	Property Project	Non-controlling Shareholders of our Subsidiary ⁽¹⁾	Effective Equity Interest Held by Business Partners as of the Latest Practicable Date	Amounts Due from Non-controlling Shareholders of our Subsidiaries		Reason for Outstanding Balance
<i>(in RMB thousands, except for percentages)</i>						
Sheshan Country Club	Shanghai • Flourish projects	Shanghai Songrui Real Estate Development Limited	50.0%	1,624,805	64.1	Cash advances provided from surplus funds of the pre-sale proceeds, which will be repaid when additional working capital is needed by the projects
Jinhua Jingkun	Jinhua • Dongyang Metropolis	Quzhou Taiduo Real Estate Development Limited	49.0%	357,148	14.1	Cash advances provided from surplus funds of capital contribution, which will be repaid when additional working capital is needed by the projects
Shanghai Kunhui	Shanghai • Sunkwan Cifi Villas	CIFI Group Co., Ltd.	50.0%	149,386	5.9	Cash advances provided from surplus funds of the pre-sale proceeds, which will be settled upon the distribution of profits after the completion of the project
Others ⁽²⁾				403,841	15.9	
Total				2,535,180	100.0	

Notes:

- (1) For details of the non-controlling shareholders of our subsidiaries, please refer to “Our History, Reorganization and Corporate Structure — Our Corporate Developments.”
- (2) Including a total of five project companies with a total of 13 non-controlling shareholders.

As of the Latest Practicable Date, all relevant Shanghai • Flourish projects involved in the Pre-sale Incidents and Shanghai • Sunkwan Cifi Villas had fulfilled the conditions for releasing the restrictions on pre-sale proceeds and were no longer subject to the relevant governmental restrictions for pre-sale proceeds. Save as disclosed above, none of the cash advances paid by our non-wholly-owned subsidiaries to their respective non-controlling shareholders were

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involved in the non-compliant deposit or use of pre-sale proceeds during the Track Record Period. Please refer to “Business — Compliance with Laws and Regulations — Non-compliance Incidents — Pre-sale incidents” for details.

To the best knowledge, information and belief of our Directors having made all reasonable enquiry, each non-controlling shareholder of our subsidiaries generally used the cash advances that it received from relevant project companies into its operation and other property projects that are not developed with us. During the Track Record Period and up to the Latest Practicable Date, there were no arrangements or agreements between the non-controlling shareholders and us, directly or indirectly, such that the cash advances we provided to the non-controlling shareholders would be used for (i) purchasing the properties developed by us, (ii) investments in us and/or other our property development projects (other than those of the relevant subsidiaries held by the non-controlling shareholders), and (iii) the settlement of our purchases and/or financing our working capital. We understand that the non-controlling shareholders of the subsidiaries generally repay such cash advances by using their internally generated funds or retained earnings received from project companies after the relevant projects are delivered.

The table below sets forth the aging analysis of our amounts due from non-controlling shareholders of our subsidiaries as of the dates indicated and their respective subsequent settlement amount as of August 31, 2020, based on the date when such cash advances were wired:

	As of December 31,			As of	Subsequent settlement amount	
	2017	2018	2019	April 30, 2020	as of August 31, 2020	
	(In RMB thousands)				(In RMB thousands)	% ⁽²⁾
Less than one year . . .	1,560,119	1,038,686	601,842	542,143	13,947	2.6
One to two years	54,367	1,506,669	465,271	217,684	22,628	10.4
Two to three years . . .	—	14,660	1,411,263	1,092,563	817,760	74.8
Over three years	—	—	4,660	682,790 ⁽¹⁾	678,132	99.3
Total	1,614,486	2,560,015	2,483,036	2,535,180	1,532,467	60.4

Notes:

- (1) Among our amounts due from non-controlling shareholders of our subsidiaries aged over three years as of April 30, 2020, RMB678.1 million, or 99.3% of our total amounts due from non-controlling shareholders of our subsidiaries aged over three years, was related to Sheshan Country Club, which was fully settled as of the Latest Practicable Date.
- (2) Represent the percentage of amounts due from non-controlling shareholders of our subsidiaries of each aging group as of April 30, 2020.

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During the Track Record Period, we did not experience and do not expect to have difficulties in recovering our amounts due from non-controlling shareholders of the subsidiaries aged over one year because these non-controlling shareholders were typically established property developers with relatively stable cash flow for the repayment or settlement of such amounts. During the Track Record Period, pursuant to the cooperation agreements entered into among us and the non-controlling shareholders, the non-controlling shareholders of our non-wholly-owned subsidiaries were able to timely repay such amounts after the relevant project companies raised requests for capital needs, or timely settled such amounts after the relevant property projects were completed and delivered. As such, our Directors are of the view that there is no recoverability issue for the amounts due from non-controlling shareholders of the subsidiaries aged over one year.

Furthermore, amounts due from non-controlling shareholders of the subsidiaries are non-trade nature. During the Track Record Period, we had such amounts due from non-controlling shareholders of the subsidiaries arising from the ordinary course of our business. Therefore, we do not intend to settle all amounts due from non-controlling shareholders of the subsidiaries prior to the [REDACTED] and expect that such cash advances will be recurring in the future during the ordinary course of our business.

Prepaid Taxes and Other Tax Recoverables

Prepaid taxes and other tax recoverables primarily represent prepaid VAT and, to a lesser extent, other surcharges prepaid by us. The upward trend during the Track Record Period was in line with the increase in our contracted sales of properties.

Prepayments for Acquisition of Land Use Rights

Prepayments for acquisition of land use rights mainly relates to the amounts prepaid in connection with the acquisition of land use right. The prepayments for acquisition of land use rights of RMB774.2 million related to our project Hangzhou • Sunkwan Majestic Seasons as of December 31, 2017.

Other Deposits

Other deposits mainly represent deposits made to general contractors subject to the construction agreements, as well as deposits made in relation to migrant workers subject to the relevant local regulations and policies, and mortgage loans proceeds deposited to a third-party supervised bank account relating to the pre-sale proceeds received from our Changzhou • Mindcloud Peakview project as required by the local regulations and policies. We recorded relatively higher other deposits of RMB133.8 million and RMB140.8 million as of December 31, 2019 and April 30, 2020, primarily as a result of the mortgage loans proceeds in the amount of RMB75.0 million and RMB95.4 million as of December 31, 2019 and April 30, 2020, respectively, deposited into a third-party supervised bank account, which is of custodian nature, relating to the pre-sale proceeds received from our Changzhou • Mindcloud Peakview project, which we commenced pre-sales in 2019. See “Regulatory Overview — Real Estate

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Transactions — Pre-sale of commodity properties” and “Business — Our Project Operation and Management — Our Project Development Process — Sales and Marketing — Pre-sale” for further details relating to regulations and policies on mortgage loans for pre-sale proceeds of urban commodity properties in Changzhou.

Others

Others mainly represent receivables arising from utility fees and maintenance fund we prepaid on behalf of our customers, our prepaid miscellaneous expenses in relation to services purchased, such as property management services and market research services, and employee imprest. The upward trend during the Track Record Period was in line with the growth of our business scale.

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. The internal credit rating of amounts due from non-controlling shareholders of the subsidiaries and other receivables was regarded as the grade of performing. We have assessed that the credit risk of these receivables has not increased significantly since initial recognition. At the end of each 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 Track Record Period as there were no significant changes in historical loss rates or forecast economic conditions in real estate industry.

Financial Assets at Fair Value Through Profit or Loss

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	April 30,
				2020
	<i>(In RMB thousands)</i>			
Wealth management product .	5,000	—	—	—
Fund investment	50,577	51,027	52,202	52,482
Contingent consideration	24,184	11,921	3,326	—
Total	79,761	62,948	55,528	52,482

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In 2017, we invested in a wealth management product issued by a reputable commercial bank in China for our treasury management purposes. We have established policies to monitor and control the potential risks relating to our investments in wealth management products. In principal, we only invest in wealth management products with low-risk profile. A proposed investment in wealth management shall be subject to the review and approval of the personnel in charge of investment and capital management. We decided not to purchase any wealth management product in 2018 and 2019 because we applied more available capital resources to our property development activities.

The above fund investment portion of our financial assets at fair value through profit or loss remained relatively stable at RMB50.6 million, RMB51.0 million, RMB52.2 million and RMB52.5 million as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively, which mainly represented our investment in a fund focusing on the real estate business in China. In making investment decisions, we take into account various factors in line with our investment policy, including whether its business complement our own development strategy, its financial performance and prospect, and the legal ownership of key assets and compliance record.

On July 4, 2017, in relation to the acquisition of Shanghai • Sunkwan International Plaza, we acquired 100% equity interests of Shanghai Longshu, Shanghai Longlv and Shanghai Longbi from the original shareholder. According to the terms of the acquisition agreements, we agreed with the original shareholder and a third party that if the property lease income is lower than the standard lease income in the coming three years, the third party is required to make up the difference, a contingent consideration for the business combination, to us. Contingent consideration decreased from RMB24.2 million as of December 31, 2017 to RMB11.9 million as of December 31, 2018, to RMB3.3 million as of December 31, 2019 and further to nil as of April 30, 2020, primarily due to the gradual realization of the contingent consideration.

Trade and Bills Payables

Trade and bills payables mainly include payables to third-party suppliers and construction contractors. Trade and bills payables are unsecured and interest-free and are normally settled based on the progress of construction. Our trade and bills payables increased from RMB942.3 million as of December 31, 2017 to RMB1,110.1 million as of December 31, 2018, and further to RMB1,652.3 million as of December 31, 2019, but later decreased to RMB1,575.7 million as of April 30, 2020. The fluctuation reflected the changes in construction costs relating to our property construction and development activities.

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The table below sets forth the aging analysis of our trade and bills payables as of the dates indicated, based on the invoice date:

	As of December 31,			As of
	2017	2018	2019	April 30,
	(In RMB thousands)			2020
Less than one year	939,798	1,097,519	1,628,177	1,552,774
Over one year	2,495	12,615	24,145	22,876
Total	942,293	1,110,134	1,652,322	1,575,650

As of August 31, 2020, approximately RMB277.3 million, or approximately 17.6%, of our total trade and bills payables as of April 30, 2020, was subsequently settled.

Other Payables and Accruals

The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	April 30,
	(In RMB thousands)			2020
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
Total	202,087	1,139,898	1,109,077	1,121,735

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Amounts due to non-controlling shareholders of subsidiaries mainly represent cash advances provided by our non-controlling shareholders to the relevant subsidiaries from time to time to support their business development, which was affected by the number of jointly-developed projects during our business expansion. During the Track Record Period, we had these cash advances due to non-controlling shareholders arising from the ordinary course of our business. Our amounts due to non-controlling shareholders of subsidiaries decreased from RMB856.9 million as of December 31, 2018 to RMB534.7 million as of December 31, 2019, and further to RMB242.0 million as of April 30, 2020, primarily as a result of the cash advances payments made by our relevant subsidiaries from surplus funds to their respective non-controlling shareholders.

Retention deposits related to construction mainly represent the quality warranty deposits we retained from our construction contractors. The fluctuation during the Track Record Period was in line with the scale of our property development activities.

Other tax and surcharges represented VAT and other surcharges resulting from property delivery. The upward trend from 2017 to 2019 was in line with the increase in the number of our delivered properties. The decrease in other tax and surcharges as of April 30, 2020 as compared to December 31, 2019 was primarily as a result of the tax prepayment made by Sheshan Country Club of RMB107.3 million in January 2020.

As of April 30, 2020, we recorded other deposits of RMB100.0 million. Such deposits were made from a third party who intended to establish a strategic cooperation relationship with us. Our proposed strategic cooperation mainly includes formulating as well as executing sales and marketing strategies and platforms for property projects located in Yangtze River Delta Economic Region, Mid-China Core Economic Region and Pearl River Delta Economic Zone. To show its commitment in forming a strategic cooperation relationship with us and its financial capability to carry out such business, the third party therefore paid us the deposits in April 2020. As the cooperation arrangement has been finalized, we have repaid such deposits in May 2020.

Advances from third parties related to land use rights mainly represent the payments made by third parties who intend to develop property project jointly with us before a potential property development opportunity is secured. We will repay such advances to the relevant third parties if the potential property development opportunity does not materialize afterwards. Such amounts increased from nil as of December 31, 2017 and 2018 to RMB110.0 million as of December 31, 2019, and further to RMB452.0 million as of April 30, 2020, primarily because we expanded our cooperation with third parties in the four months ended April 30, 2020. In particular, as of April 30, 2020, deposits in an amount of RMB260.0 million were from a third party for the acquisition of a property project and land auction. As such transactions were not materialized subsequently, we have repaid such deposits as of the Latest Practicable Date. Deposits in an amount of RMB192.0 million as of April 30, 2020 were from another third party, with whom we cooperated in the land auctions. Since no land was acquired from such cooperation during the period, we will subsequently repay such deposits according to our cooperation arrangement.

Other payables and amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand.

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Contract Liabilities

We enter into pre-sale and/or sales contracts with our customers, subject to which we are entitled to the rights to receive consideration from our customers and assume performance obligations to transfer products to them. Proceeds from customers of pre-sold properties are recorded as “contract liabilities” under current liabilities before relevant sales revenue is recognized. The timing of revenue recognition upon the transfer of control of the properties may affect not only the amount and growth rate of our revenue from sales of properties but also may cause contract liabilities, and together, interest expense arising from revenue contracts, to fluctuate from period to period. We also receive rentals from tenants based on the billing schedules in the lease contracts in advance of our performance.

Our contract liabilities decreased from RMB7,752.6 million as of December 31, 2017 to RMB5,021.7 million as of December 31, 2018, primarily due to the delivery of Shanghai • Sunkwan Flourish Seasons, Shanghai • Sunkwan Flourish Villas and Shanghai • Future Land Flourish Jade projects. Our contract liabilities later increased to RMB8,329.5 million as of December 31, 2019 and further to RMB9,179.5 million as of April 30, 2020, primarily due to an increase in the pre-sale of our Hangzhou • Sunkwan Majestic Seasons and Changzhou • Mindcloud Peakview projects.

Operating Lease Arrangements

We lease out certain of our investment properties under operating lease arrangements. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market condition. The following table sets forth our total future minimum lease receivables under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	April 30,
				2020
	<i>(In RMB thousands)</i>			
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
	<u>340,188</u>	<u>285,286</u>	<u>267,209</u>	<u>225,901</u>

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LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

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.

As of December 31, 2017, 2018 and 2019 and April 30, 2020, we had cash and bank balances of consisted of cash and cash equivalents, pledge deposits and restricted cash of RMB828.6 million, RMB1,544.1 million, RMB3,484.3 million and RMB3,433.0 million, respectively, which primarily consisted of cash at bank and on hand.

Net Current Assets

As of December 31, 2017, 2018 and 2019, April 30, 2020 and August 31, 2020, we recorded net current assets of RMB739.6 million, RMB2,907.9 million, RMB1,427.3 million, RMB1,976.7 million and RMB2,332.6 million, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2017	2018	2019	April 30, 2020	August 31, 2020
	<i>(In RMB thousands)</i>				
	(Unaudited)				
Current Assets					
Properties under development . . .	6,486,066	9,317,739	10,859,280	11,675,614	11,937,896
Completed properties held for sale	70,667	1,046,885	1,051,766	506,810	337,997
Trade receivables	18,837	28,906	46,661	35,165	26,443
Due from related companies . . .	1,614,623	1,279,867	1,997,139	1,778,601	1,708,781
Due from a shareholder	8,668	8,747	—	—	—
Contract cost assets	39,864	24,121	52,438	55,266	59,036
Prepayments, other receivables and other assets	2,699,235	2,978,468	3,056,757	3,194,212	3,451,643
Tax recoverable	291,230	25,033	172,866	184,778	221,892
Financial assets at fair value through profit or loss	79,761	62,948	55,528	52,482	38,222
Restricted cash	320,474	1,014,133	2,360,661	1,773,647	1,267,879
Pledged deposits	1,904	75,278	50,145	73,985	87,247
Cash and cash equivalents	506,262	454,669	1,073,499	1,585,384	1,182,944
Total current assets	12,137,591	16,316,794	20,776,740	20,915,944	20,319,980

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	As of December 31,			As of	As of
	2017	2018	2019	April 30,	August 31,
				2020	2020
	<i>(In RMB thousands)</i>				(Unaudited)
Current Liabilities					
Trade and bills payables	942,293	1,110,134	1,652,322	1,575,650	1,726,874
Other payables and accruals	202,087	1,139,898	1,109,077	1,121,735	1,602,850
Contract liabilities	7,752,566	5,021,651	8,329,464	9,179,494	9,573,961
Due to related companies	5,930	928,749	631,642	1,173,746	616,898
Interest-bearing bank and other borrowings	2,325,787	3,034,834	4,243,248	2,499,042	2,003,653
Tax payables	169,031	2,169,891	3,349,387	3,356,048	2,430,831
Lease liabilities	302	3,716	34,307	33,495	32,341
Total current liabilities	11,397,996	13,408,873	19,349,447	18,939,210	17,987,408
Net Current Assets	739,595	2,907,921	1,427,293	1,976,734	2,332,571

Our net current assets increased from RMB1,976.7 million as of April 30, 2020 to RMB2,332.6 million as of August 31, 2020, mainly due to (i) a decrease in tax payables of RMB925.2 million, (ii) a decrease in due to related companies of RMB556.8 million, and (iii) a decrease in current portion of interest-bearing bank and other borrowings of RMB495.4 million, partially offset by (i) a decrease in restricted cash of RMB505.8 million, (ii) an increase in other payables and accruals of RMB481.1 million, (iii) a decrease in cash and cash equivalents of RMB402.4 million, and (iv) an increase in contract liabilities of RMB394.5 million.

Our net current assets increased from RMB1,427.3 million as of December 31, 2019 to RMB1,976.7 million as of April 30, 2020, mainly due to (i) a decrease in current portion of interest-bearing bank and other borrowings of RMB1,744.2 million, (ii) an increase in properties under development of RMB816.3 million, and (iii) an increase in cash and cash equivalents of RMB511.9 million, partially offset by (i) an increase in contract liabilities of RMB850.0 million, (ii) a decrease in restricted cash of RMB587.0 million, (iii) a decrease in completed properties held for sale of RMB545.0 million, and (iv) an increase in due to related companies of RMB542.1 million.

Our net current assets decreased from RMB2,907.9 million as of December 31, 2018 to RMB1,427.3 million as of December 31, 2019, mainly due to (i) an increase in contract liabilities of RMB3,307.8 million, (ii) an increase in current portion of interest-bearing bank and other borrowings of RMB1,208.4 million, and (iii) an increase in tax payables of RMB1,179.5 million, partially offset by (i) an increase in properties under development of RMB1,541.5 million, (ii) an increase in restricted cash of RMB1,257.6 million, and (iii) an increase in due from related companies of RMB717.3 million.

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Our net current assets increased from RMB739.6 million as of December 31, 2017 to RMB2,907.9 million as of December 31, 2018, primarily due to (i) an increase in properties under development of RMB2,831.7 million, (ii) a decrease in contract liabilities of RMB2,730.9 million, and (iii) an increase in completed properties held for sale of RMB976.2 million, partially offset by (i) an increase in tax payables of RMB2,000.9 million, (ii) an increase in other payables and accruals of RMB937.8 million, and (iii) an increase in due to related companies of RMB922.8 million.

Cash Flows Analysis

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

	Year Ended December 31,			Four Months Ended	
	2017	2018	2019	April 30,	2020
	<i>(In RMB thousands)</i>			<i>(Unaudited)</i>	
Profit before tax	217,782	3,013,142	2,553,505	433,488	389,518
Operating cash flow before movements in working capital	212,378	3,194,975	2,663,413	459,815	457,998
Selected movements in working capital:					
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 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/(decrease) in contract liabilities	4,707,142	(2,730,915)	2,445,714	1,318,301	850,030
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 ⁽¹⁾	(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

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	Year Ended December 31,			Four Months Ended	
	2017	2018	2019	April 30,	2020
	<i>(In RMB thousands)</i>			<i>(Unaudited)</i>	
Net cash flows (used in)/from investing activities	(912,891)	230,918	(758,862)	238,230	27,661
Net cash flows from/(used in) financing activities . .	1,213,705	3,524,156	(630,295)	(650,400)	(622,509)
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

Note:

- (1) Tax paid consists of tax paid for corporate income tax and LAT. In 2017, our tax paid amounted to RMB399.0 million, which consisted of corporate income tax paid of RMB126.7 million and LAT paid of RMB272.3 million. In 2018, our tax paid amounted to RMB370.1 million, which consisted of corporate income tax paid of RMB269.6 million and LAT paid of RMB100.5 million. In 2019, our tax paid amounted to RMB1,093.0 million, which consisted of corporate income tax paid of RMB846.7 million and LAT paid of RMB246.3 million. In the four months ended April 30, 2020, our tax paid amounted to RMB222.7 million, which consisted of corporate income tax paid of RMB152.0 million and LAT paid of RMB70.7 million.

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.

Our cash flows and results of operations were subject to timing of property development, selling prices and the GFA pre-sold and sold during the relevant periods. The net cash used in operating activities in 2017 and 2018 was primarily due to significant cash used in the operations resulting from continued increase in property development activities and land acquisition efforts, with the reasons illustrated in details as follows. In 2019, we recorded net cash from operating activities primarily due to an increase in contract liabilities resulting from our increased sales of properties after the launch of the pre-sale of our new projects during the period. In the four months ended April 30, 2020, we recorded net cash from operating activities primarily due to an increase in contract liabilities and a decrease in restricted cash. Following the continuous expansion of property portfolio, we expect the saleable GFA will continue to increase and believe that we will accumulate more experience in controlling and managing our

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costs and expenses. The increased saleable GFA will facilitate our sale and pre-sale activities, which will improve our cash inflow from operating activities. In addition, given the fact that a substantial amount of our cash used in operating activities is for property development activities, the enhanced cost control and management ability will enable us to avoid unnecessary cash outflow and thus optimize our overall operating cash flow.

In the four months ended April 30, 2020, our net cash from operating activities was RMB1,106.7 million, which was primarily the result of cash from operations of RMB1,513.8 million and interest received of RMB5.3 million, less a tax payment of RMB222.7 million and an interest payment of RMB189.5 million. Cash from operations primarily consisted of (i) an increase in contract liabilities of RMB850.0 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, and (iii) profit before tax of RMB389.5 million, partially offset by (i) an increase in prepayments, other receivables and other assets of RMB137.5 million, and (ii) an increase in properties under development and completed properties held for sale of RMB117.7 million.

In 2019, our net cash from operating activities was RMB2,008.0 million, which was the result of cash from operations of RMB3,915.8 million, less a tax payment of RMB1,093.0 million and an interest payment of RMB830.1 million. Cash from operations primarily consisted of (i) profit before tax of RMB2,553.5 million, and (ii) an increase of RMB2,445.7 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 RMB1,257.6 million, and (ii) an increase in properties under development and completed properties held for sale of RMB374.3 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 from 1,239,007 sq.m. as of December 31, 2017 to 2,337,439 sq.m. as of December 31, 2018. Such increase was mainly in connection with our Hangzhou • Sunkwan Majestic Seasons, Shangrao • Sunkwan Riverside Seasons, Jinhua • Dongyang Metropolis, Ningbo • Cixi Riverview Mansion and Tianmen • Sunkwan Northlake Seasons projects; (ii) a decrease in contract liabilities of RMB2,730.9 million resulting from our delivery of properties, including Shanghai • Sunkwan Flourish Seasons, Shanghai • Sunkwan Flourish Villas and Shanghai • Future Land Flourish Jade; 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.

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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 in connection with our Hangzhou • Sunkwan Majestic Seasons project; (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. Such increase was mainly in connection with our Shanghai • Sunkwan Center, Shanghai • Sunkwan International Plaza, Shanghai • Sunkwan Flourish Villa, Shanghai • Sunkwan Flourish Seasons, Shanghai • Future Land Flourish Jade, Shanghai • Future Land Flourish Moon, Hefei • Sunkwan Begonia Seasons and Hangzhou • Sunkwan Majestic Seasons projects; 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, primarily consisted of the repayment of advances to related companies of RMB666.6 million, partially offset by (i) the advances to related companies of RMB446.5 million and (ii) the investments in associates of RMB114.1 million.

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

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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, primarily consisted of (i) the repayment of interest-bearing bank and other borrowings of RMB2,878.1 million, and (ii) repayment of advances from related companies of RMB333.6 million, partially offset by (i) proceeds from interest-bearing bank and other borrowings of RMB1,719.9 million and (ii) advances from related companies of RMB870.4 million.

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

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Working Capital

We need working capital to service our debts when due and pay construction costs and all applicable taxes for projects developed by our subsidiaries. During the Track Record Period, we recorded net operating cash outflows, primarily due to our continued increase in property development activities and strengthened land acquisition efforts. We recorded net cash used in operating activities of RMB38.5 million and RMB3,806.7 million in 2017 and 2018, primarily due to our increased property development and acquisition activities during such periods. Specifically, in 2017, our cash used in operating activities was mainly in connection with (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 in connection with our Hangzhou • Sunkwan Majestic Seasons project; (ii) an increase in properties under development and completed properties held for sale of RMB1,644.0 million as we increased our 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. Such increase was mainly in connection with our Shanghai • Sunkwan Center, Shanghai • Sunkwan International Plaza, Shanghai Sunkwan Flourish Villa, Shanghai Sunkwan Flourish Seasons, Shanghai Future Land Flourish Jade, Shanghai Future Land Flourish Moon, Hefei • Sunkwan Begonia Seasons and Hangzhou • Sunkwan Majestic Seasons projects; (iii) a decrease in other payables and accruals of RMB558.6 million; (iv) a tax payment of RMB399.0 million; and (v) an interest payment of RMB356.7 million.

In 2018, our net cash used in operating activities was RMB3,806.7 million, primarily due to (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 from 1,239,007 sq.m. as of December 31, 2017 to 2,337,439 sq.m. as of December 31, 2018. Such increase was mainly in connection with our Hangzhou • Sunkwan Majestic Seasons, Shangrao • Sunkwan Riverside Seasons, Jinhua • Dongyang Metropolis, Ningbo • Cixi Riverview Mansion and Tianmen • Sunkwan Northlake Seasons projects; (ii) a decrease in contract liabilities of RMB2,730.9 million resulting from our delivery of properties, including Shanghai • Sunkwan Flourish Seasons, Shanghai • Sunkwan Flourish Villas and Shanghai • Future Land Flourish Jade; (iii) an increase in restricted cash of RMB693.7 million; (iv) an interest payment of RMB546.2 million and (v) a tax payment of RMB370.1 million. Such cash outflows may not always be completely offset by the proceeds received from our pre-sales and sales of the properties for the respective period, which we believe is consistent with our industry practice. See “— Cash Flows Analysis — Net Cash Flows (Used in)/From Operating Activities” for details.

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Working Capital Management

We manage our working capital under a centralized model and have adopted a two-tier management and organization structure to manage and oversee the use of our working capital. Under such structure, the finance management center at our headquarters manages and oversees the finance departments at each of our regional project companies. The finance management center is in charge of the overall management and implementation of our working capital policies, which includes the establishment of our budget management system, the guidance, coordination and standardization of the working capital management of our regional project companies, the formulation of the annual and quarter working capital management plan, the review and summary of the annual budget and the oversight and evaluation of the working capital management of each of our regional project companies.

On the other hand, the finance departments at each of our regional project companies are responsible for the execution of working capital management policies formulated by the finance management center and the formation and execution of working capital plan for their respective regional project companies. In particular, pursuant to our working capital management system, the finance departments at our regional project companies are required to submit monthly, quarterly and annual working capital management plan to the finance management center at our headquarters. The finance management center will review and adjust such plans by taking into consideration of various factors, including our overall business plan, project sales and pre-sale schedules and payment schedules in the relevant construction contracts, so as to ensure such plans are in line with the actual needs of our business.

To achieve sufficient working capital, we will continue to (i) monitor our cash outflow associated with the development and construction schedules and land acquisition plans by optimizing the payment schedules for land acquisition costs and construction fees to match our collection schedule for pre-sale proceeds and property sales plan through negotiation and the establishment of cooperation arrangements with our business partners, and (ii) meanwhile, improve our cash inflow associated with property sales by strengthening marketing efforts and enhancing payment collection from our customers with respect to the property sales and pre-sales and further exploring to diversify external financing sources, including but not limited to the issuance of corporate bonds, asset-backed securities or other debt offerings when needed, while at the same time, better monitor the maturity of the debts and tighten the financial control, so as to ensure our sufficient working capital. We have received and will continue to receive working capital from our operations and funds provided by external financing channels to support our business growth.

During the Track Record Period, we provided sufficient working capital to our land acquisition and development activities for our existing property projects through the establishment of our overall management on project development and pre-sale schedule, settlement schedule of land grant contracts and project acquisitions as well as use of our pre-sale and sales proceeds, cash on hand and bank and other borrowings.

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In general, we plan the settlement schedule of land grant contract and project acquisitions, pre-sale schedule and project development schedule based on the time of our land acquisition. For property projects we acquired during the Track Record Period, it generally took us two to three years to complete the construction. In particular, we settled payment for land grant contract with the local government within one to six months after our land acquisition in most cases. As to property projects acquired through cooperation agreements, we negotiated different settlement schedules and arrangements based on each of their specific situation and our cash flow balance. After such property projects moved to the under development phase, we arranged borrowings for development from banks and our financing partners. Borrowings from banks and our financing partners were applied based on the schedule of our development process. Borrowings from our financing partners were often applied before development loans were granted from banks or after development loans were fully repaid. Later on, as the development schedule moved forward, about an average of five months after the commencement of construction, the property projects subsequently entered into pre-sale phase and thus provided us with pre-sale proceeds as well as sales proceeds upon completion. Subject to relevant regulatory requirements with regards to the application of pre-sale proceeds, we were required to deposit a portion of pre-sale proceeds to escrow accounts and used such pre-sale proceeds for the purpose of development and construction for relevant projects during their phase of under development.

During the Track Record Period, we usually used 44% of pre-sale and sales proceeds from a property project for our business expansion, 25% of pre-sale and sales proceeds from a property project for the payment of construction costs, 11% of pre-sale and sales proceeds from a property project for relevant tax expenses, 15% of pre-sale and sales proceeds from a property project for other expenses, including marketing, management and finance expenses and the remaining 5% of pre-sale and sales proceeds from a property project for repayment of borrowings or as contingency allowance. During the Track Record Period, we were able to maintain sufficient working capital. In addition, as of August 31, 2020, we had unutilized banking facilities of approximately RMB11,025.0 million.

Sufficiency of Working Capital

Taking into account our current project development and sales schedules, our expected cash from operating activities, the estimated [REDACTED] from the [REDACTED], our credit facilities maintained with banks, and additional financing resources available to us, together with our expected cash outflow in the near future, which was mainly driven by the increase in the number of our existing property development projects entering into development stage and the unpaid land premiums, our Directors are of the opinion that we will have sufficient working capital for our present requirements, that is for at least the 12 months following the date of this document.

Capital Expenditures

Our capital expenditures during the Track Record Period mainly represented expenditures incurred in relation to purchase of property, plant and equipment and intangible assets. In 2017, 2018 and 2019 and the four months ended April 30, 2020, we incurred capital expenditures of

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RMB17.0 million, RMB6.0 million, RMB1.9 million and RMB0.8 million, respectively. Our Directors estimate that our additional capital expenditure in 2020 will be approximately RMB2.5 million. Such estimate represents the total capital expenditure that we expect to incur in the relevant period based on our existing business plans. We may adjust our business plans from time to time and the estimated total capital expenditure may also change.

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. Our Directors consider that no provision is needed in respect of the guarantees, since the fair value is not significant.

The following table sets forth our total guarantees as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	April 30,
				2020
	<i>(In RMB thousands)</i>			
Guarantees given to banks in connection with facilities granted to purchasers of our properties	2,606,941	3,611,166	7,570,272	6,567,753
Guarantees given to banks in connection with facilities granted to related companies	48,000	373,640	1,805,439	2,609,569
Total	2,654,941	3,984,806	9,375,711	9,177,322

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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. See “Business — Legal Proceedings and Material Claims” for more details.

COMMITMENTS

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

	As of December 31,			As of
	2017	2018	2019	April 30,
				2020
	<i>(In RMB thousands)</i>			
Contracted but not provided for:				
Property development activities ⁽¹⁾	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
Total	1,419,043	1,709,897	1,608,323	1,458,335

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.

Among our capital commitments of RMB1,458.3 million as of April 30, 2020, (i) RMB1,387.4 million was contracted but not provided for property development activities. We plan to pay up such capital commitments based on the development and payment schedule of relevant property projects in one to two years; and (ii) RMB70.9 million was contracted but not provided for capital contribution for investments in joint ventures and associates. We plan to pay up such capital commitments to our joint ventures and associates according to their capital needs and the payment schedule stipulated in their respective articles of association.

We intend to fund our capital commitments for property development activities as well as capital contribution for investments in joint ventures and associates by using our cash and cash equivalents, restricted cash, cash flow from pre-sales and sales of our properties, bank and

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other financings and the [REDACTED] from the [REDACTED]. In particular, as of April 30, 2020, we had cash and cash equivalents of RMB1,585.4 million and restricted cash of RMB1,773.6 million, a majority of which is permitted to be used in the development of relevant property projects. Such cash and cash equivalents as well as restricted cash enable us to satisfy our capital commitments for each of the property project and support our property development activities. We also plan to use pre-sale and sales proceeds that are expected to be received in the next one to two years in the relevant property projects in accordance with the applicable laws and regulations. In addition, as of August 31, 2020, we had unutilized banking facilities of approximately RMB11,025.0 million available for us to satisfy our capital commitments.

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	As of
	2017	2018	2019	April 30, 2020	August 31, 2020
	(In RMB thousands)				(Unaudited)
Current					
Bank loans — secured	1,342,429	—	—	—	—
Other loans — secured	530,000	1,916,834	799,499	699,000	1,108,758
Other loans — unsecured	—	97,000	—	—	43,400
Current portion of long term					
bank loans — secured	305,000	957,000	1,871,671	113,000	50,000
Current portion of long term					
other loans — secured	148,358	64,000	1,572,078	1,687,042	801,495
Lease liabilities	302	3,716	34,307	33,495	32,341
Total current	<u>2,326,089</u>	<u>3,038,550</u>	<u>4,277,555</u>	<u>2,532,537</u>	<u>2,035,994</u>
Non-current					
Bank loans — secured	2,410,000	2,578,713	374,000	1,114,000	1,114,000
Other loans — secured	461,020	1,845,366	2,149,009	1,975,987	1,643,703
Lease liabilities	96,393	110,006	82,357	82,396	51,014
Total non-current	<u>2,967,413</u>	<u>4,534,085</u>	<u>2,605,366</u>	<u>3,172,383</u>	<u>2,808,717</u>
Total	<u>5,293,502</u>	<u>7,572,635</u>	<u>6,882,921</u>	<u>5,704,920</u>	<u>4,844,711</u>

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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	As of
	2017	2018	2019	April 30,	August 31,
				2020	2020
	<i>(In RMB thousands)</i>				
					(Unaudited)
Bank loans repayable:					
Within one year	1,647,429	957,000	1,871,671	113,000	50,000
In the second year	2,410,000	2,153,713	260,000	268,000	268,000
In the third to fifth years,					
inclusive	—	360,000	49,000	110,180	110,180
Beyond five years	—	65,000	65,000	735,820	735,820
	<u>4,057,429</u>	<u>3,535,713</u>	<u>2,245,671</u>	<u>1,227,000</u>	<u>1,164,000</u>
Other loans repayable:					
Within one year	678,358	2,077,834	2,371,577	2,386,042	1,953,653
In the second year	64,000	855,218	1,298,179	1,629,842	843,703
In the third to fifth years,					
inclusive	397,020	990,148	850,830	346,145	800,000
	<u>1,139,378</u>	<u>3,923,200</u>	<u>4,520,586</u>	<u>4,362,029</u>	<u>3,597,356</u>
Total	<u><u>5,196,807</u></u>	<u><u>7,458,913</u></u>	<u><u>6,766,257</u></u>	<u><u>5,589,029</u></u>	<u><u>4,761,356</u></u>

Our total interest-bearing bank and other borrowings may fluctuate with the changes in financial needs for our business expansion and cash flow planning. As a result, our total interest-bearing bank and other borrowings increased from RMB5,196.8 million as of December 31, 2017 to RMB7,458.9 million as of December 31, 2018, but later decreased to RMB6,766.3 million as of December 31, 2019, RMB5,589.0 million as of April 30, 2020 and RMB4,761.4 million as of August 31, 2020. Among our interest-bearing bank and other borrowings as of August 31, 2020, RMB2,003.7 million, or 42.1%, will mature within one year. 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 [REDACTED] from the [REDACTED], and to seek to repay some of the short-term borrowings and replace with long-term borrowings. See “Future Plans and Use of Proceeds — [REDACTED].”

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Certain of our borrowings are secured by our asset portfolio which includes property, plant and equipment, investment properties, properties under development, completed properties held for sale, financial asset at fair value through profit or loss and pledge deposits. Moreover, our Controlling Shareholders and certain of their associates had guaranteed certain of our borrowings up to RMB3,616.9 million, RMB4,199.5 million, RMB4,019.6 million and RMB2,753.4 million as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively. We have obtained the consent for releasing such guarantees from relevant lenders and such guarantees will be released prior to the [REDACTED].

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. These restrictions may limit our ability to pay dividends or make other distributions in the future. However, our Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans. Our Directors confirmed that they are not aware of any breach of any of the covenants, including the financial ratio requirements, contained in our banking and other loan facilities constituting any event of default during the Track Record Period and up to the Latest Practicable Date, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities. Our Directors further confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining banking facilities nor had we been rejected for any loan application.

The weighted average effective interest rate on our interest-bearing bank and other borrowings, which represents actual borrowing cost incurred during the period divided by weighted average borrowings that are outstanding as of December 31, 2017, 2018 and 2019 and April 30, 2020, was 7.4%, 9.3%, 9.4% and 10.3%, respectively. The upward trend during the Track Record Period was primarily due to an increase in other borrowings which generally have higher interest rates as compared to bank borrowings.

In anticipation of our business expansion, we have been discussing strategic cooperation with commercial banks. For example, in November 2019, we entered into a strategic cooperation agreement with Bank of Hangzhou that provided an aggregate credit line of RMB2.0 billion to us. In December 2019, we entered into a strategic cooperation agreement with Bank of Dalian and KEB Hana Bank (China) Company Limited that provided an aggregate credit line of RMB5.0 billion and RMB2.0 billion to us., respectively. The amounts of credit lines provided under these strategic cooperation agreements are firm offers, although the drawdown will be subject to the internal approval of these banks.

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As of August 31, 2020, we had unutilized banking facilities of approximately RMB11,025.0 million. Our approved unutilized credit facilities are covered by loan agreements which we entered into with the banks. Our Directors have confirmed that we do not currently have any concrete and material external financing plans outside our ordinary course of business. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although there is no assurance that we will be able to access bank financing on favorable terms or at all.

Other Loans

Similar to many other property developers in China, we also enter into financing arrangements with asset management companies, trust companies and their financing vehicles in the ordinary course of business to finance our property development and other related operations.

During the Track Record Period, our subsidiaries, namely, Sunkwan Properties, Cixi Ruikun Property Co., Ltd., Hefei Jiakun, Shanghai Qianrong and Shenzhen Sunkwan Investment Co., Ltd. borrowed loans from companies that are not financial institutions with the approval from the PBOC to provide loan services. There were a total of 14 such loans during the Track Record Period. As of April 30, 2020 and August 31, 2020, there were only three and eight, respectively, of these loans had outstanding and accounted for 5.5% and 18.1%, respectively, of our total outstanding interest-bearing bank and other borrowings. Their annual interest rate ranges from 12% to 18%. Compared with bank borrowings, such financing arrangements offer greater flexibility in terms of availability, approval schedule and repayment requirements, which constitute an effective alternative source of funding for our project developments, particularly under the environment of tightening banking credit standards and policies. Furthermore, we believe that such financing arrangements would enable us to enhance our cooperation with our financing partners so as to diversify our source of funding and optimize our liquidity channels.

As of August 31, 2020, total outstanding principal of our other loans accounted for 75.6% of our interest-bearing bank and other borrowings as of the same date. For additional information as to the relevant laws and regulations applicable to our other loans, see “Regulatory Overview — Real Estate Financing — Trust Financing.”

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The following table sets forth our other loans outstanding as of April 30, 2020 and August 31, 2020, respectively, with principal balances as of the dates indicated:

							Principal balance as of		General category of contractual arrangement
Item	Lender	Annual interest rate	Effective date	Maturity date	Collaterals	Veto rights to lender	April 30,	August 31,	
							2020	2020	
							(In RMB thousands) (Unaudited)		
1	Company A ⁽¹⁾	9.2%~9.5%	November 2018	2020	(i) Pledge of the entire equity interest in Sunkwan Properties; (ii) guarantee by Company B, Ms. Zhu and Mr. Chen	N/A	186,367	—	Type 2
2	Company A ⁽²⁾	15.0%	July 2019	2020	(i) Assign of 99% equity interest in Wuhan Houkun Property Co., Ltd; (ii) guarantee by Ms. Zhu and Mr. Chen	N/A	11,000	11,000	Type 3
3	Company B ⁽³⁾	12.1%	September 2019	2022	Assign of 99% equity interest in Shanghai Kunyun Enterprise Management Limited	Yes	346,145	350,000	Type 3
4	Company C	14.5%	June 2019	2020	(i) Pledge of 20% equity interest in Hangzhou Lekun Property Co., Ltd. and 38.25% equity interest in Dongyang Kunyu Property Co., Ltd; (ii) assign of 80% equity interest in Hangzhou Lekun Property Co., Ltd; (iii) guarantee by Sunkwan Properties and Ms. Zhu	N/A	70,000	—	Type 3
5	Company D ⁽⁴⁾	11%	January 2019	2020	(i) Mortgage of land use right and construction-in-progress; (ii) pledge of entire equity interest in Hangzhou Kunxin; (iii) guarantee by Sunkwan Properties, Mrs Zhu and Mr. Chen	N/A	792,041	—	Type 2
6	Company E	15.8%	May 2019	2020	(i) Guarantee by Sunkwan Properties; (ii) pledge of accounts receivables	N/A	35,345	—	Type 1
7	Company F ⁽⁵⁾	16.5%	June 2019	2021	(i) Assign of 99% equity interest in Hangzhou Yikun Property Co., Ltd; (ii) pledge of the 1% left equity interest in Hangzhou Yikun Property Co., Ltd; (iii) guarantee by Sunkwan Properties, Hangzhou Kunxin, Ms. Zhu, Mr. Chen and Mr. Lin	N/A	226,760	226,760	Type 3

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							Principal balance as of		General category of contractual arrangement
Item	Lender	Annual interest rate	Effective date	Maturity date	Collaterals	Veto rights to lender	April 30, 2020	August 31, 2020	
(In RMB thousands) (Unaudited)									
8	Company G ⁽⁶⁾	16.5%	June 2019	2021	(i) Assign of 99% equity interest in Hangzhou Mengkun Property Co., Ltd; (ii) pledge of the 1% left equity interest in Hangzhou Mengkun Property Co., Ltd; (iii) guarantee by Sunkwan Properties, Hangzhou Kunxin, Ms. Zhu, Mr. Chen and Mr. Lin	N/A	353,237	353,237	Type 3
9	Company H ⁽⁷⁾	9.8%	December 2017	2021	(i) Assign of 99% equity interest in Hefei Kuncong Property Co., Ltd, Hangzhou Xingkun, Shenzhen Qianhui Investment Co., Ltd, Hangzhou Junkun Property Co., Ltd, Suzhou Kunyi Property Co., Ltd, Suzhou Kunyue Property Co., Ltd; (ii) guarantee by Sunkwan Properties	N/A	202,142	—	Type 3
10	Company I ⁽⁸⁾	13.5%	July 2019	2021	(i) Mortgage of land use right and construction-in-progress; (ii) pledge of the entire equity interest in Shangrao Yiju; (iii) guarantee by Sunkwan Properties and Ms. Zhu	N/A	277,289	221,498	Type 2
11	Company J	15%	May 2019	2020	(i) Assign of 30% equity interest in Suzhou Kuncheng; (ii) pledge of 70% equity interest in Suzhou Kuncheng; (iii) pledge of 70% equity interest in Suzhou Kunxiang; (iv) pledge of the entire equity interest in Suzhou Haokun Property Co., Ltd.; (v) guarantee by Sunkwan Properties and Ms. Zhu	N/A	120,000	100,000	Type 3
12	Company K ⁽⁹⁾	13.5%	July 2019	2020	(i) Assign of 60% equity interest in Shanghai Dongjiang Property Co., Ltd	N/A	190,000	—	Type 3
13	Company L	18%	November 2019	2020	Guarantee by Ms. Zhu and Mr. Chen	N/A	110,000	94,800	Type 1
14	Company M ⁽¹⁰⁾	12.5%	December 2019	2021	(i) Pledge of the entire equity interest in Cixi Xingkun, of which 34%, 33% and 34% was owned by Sunkwan Properties, Ningbo Xingshengbo and Ningbo Zhongyue, respectively; (ii) mortgage of construction-in-progress	N/A	247,000	164,500	Type 2

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							Principal balance as of		General category of contractual arrangement
Item	Lender	Annual interest rate	Effective date	Maturity date	Collaterals	Veto rights to lender	April 30, 2020	August 31, 2020	
(In RMB thousands) (Unaudited)									
15	Company N ⁽¹¹⁾	9.0%	September 2019	2021	(i) Pledge of the entire equity interest in Changzhou Qiansheng Real Estate Development Co., Ltd., of which 40% and 60% was owned by Changzhou Hongyang Plaza Properties Co., Ltd. and Suzhou Kuncheng, respectively; (ii) guarantee by the Sunkwan Properties and Nanjing Hongtaiyang Real Estate Development Co., Ltd. (currently known as Hongyang Properties (Group) Co., Ltd.); (iii) mortgage of the land use right	N/A	792,000	392,000	Type 2
16	Company O	16.0%	November 2019	2022	(i) Mortgage of 25 properties of Shanghai Qianrong Property Co., Ltd.; (ii) Assign of 80% equity interest in Shanghai Qianrong Property Co., Ltd; (iii) pledge of the entire equity interest in Shanghai Maofan Properties Limited, 42.3% interest in Zhuoye (Shanghai) Enterprise Management Consulting Partnership Enterprise (Limited Partnership) and 19.88% equity interest in Shanghai Qianrong Property Co., Ltd separately; (iv) pledge of the entire equity interest in Shanghai Kunshang; (v) guarantee by Ms. Zhu, Mr. Chen and Shanghai Qianrong	N/A	135,002	135,002	Type 3
17	Company P ⁽¹²⁾	13.0%	January 2020	2021	(i) Mortgage of land use right; (ii) pledge of the entire equity interest in Foshan Kaifeng Business Consulting Co., Ltd. (the “Foshan Kaifeng”); (iii) guarantee by Ms. Zhu, Mr. Chen and Sunkwan Properties	N/A	217,701	217,701	Type 2
18	Company Q	15.0%	March 2020	2020	(i) Pledge of the entire equity interest in Shenzhen Kunyue Investment Co., Ltd.; (ii) guarantee by Sunkwan Properties	N/A	50,000	50,000	Type 2
19	Company R ⁽¹³⁾	14.0%	May 2020	2023	Assign of 99% equity interest in Shanghai Yunfeng Property Co., Ltd.	N/A	–	450,000	Type 3

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							Principal balance as of		General category of contractual arrangement
Item	Lender	Annual interest rate	Effective date	Maturity date	Collaterals	Veto rights to lender	April 30, 2020	August 31, 2020	
(In RMB thousands) (Unaudited)									
20	Company S ⁽¹⁴⁾	10.5%	June 2020	2020	(i) Assign of 99% and pledge of 1% equity interest in Hangzhou Daizhong; (ii) assign of 99% and pledge of 1% equity interest in Hangzhou Zhuorui	N/A	–	230,000	Type 3
21	Company T ⁽¹⁵⁾	10.5%	June 2020	2020	(i) Assign of 99% and pledge of 1% equity interest in Hangzhou Daizhong; (ii) assign of 99% and pledge of 1% equity interest in Hangzhou Zhuorui; (iii) guarantee by Zhejiang Jiafeng, Huajingchuan Group Co., Ltd., Hangzhou Guiyan Enterprise Management Co., Ltd. and Mr. Luo Xiangbin	N/A	–	213,000	Type 3
22	Company U ⁽¹⁶⁾	12.0%	June 2020	2021	N/A	N/A	–	20,000	Type 1
23	Company V	12.0%	June 2020	2021	N/A	N/A	–	3,000	Type 1
24	Company W	11.0%	May 2020	2020	Mortgage of certain properties of Shanghai • Sunkwan Mangrove Bay	N/A	–	12,000	Type 1
25	Company X	16.5%	June 2020	2021	(i) Pledge of accounts receivables of Foshan Kaifeng; (ii) guarantee by Sunkwan Properties	N/A	–	45,510	Type 1
26	Company X	16.5%	June 2020	2021	(i) Pledge of accounts receivables of Foshan Kaifeng; (ii) guarantee by Sunkwan Properties	N/A	–	35,338	Type 1
27	Company Y ⁽¹⁷⁾	12.0%	May 2020	2021	Guarantee by Sunkwan Properties and Suzhou Kunxiang	N/A	–	20,400	Type 1
28	Company Z ⁽¹⁸⁾	15.0%	August 2020	2021	(i) Assign of 99% equity interest in Foshan Shenzhuo Commercial Information Consulting Co., Ltd.; (ii) guarantee by Sunkwan Properties	N/A	–	106,610	Type 3
29	Company AA	12.0%	August 2020	2021	Mortgage of 250 car parks of Hangzhou Kunxin	N/A	–	25,000	Type 1
30	Company BB ⁽¹⁹⁾	15.0%	August 2020	2021	(i) Assign of 70% equity interest in Hefei Junheng Enterprise Management Consulting Co., Ltd.; (ii) guarantee by Sunkwan Properties	N/A	–	100,000	Type 3
31	Company CC ⁽²⁰⁾	13.5%	August 2020	2021	Guarantee by Zhaokun Industrial	N/A	–	20,000	Type 1
Total							4,362,029	3,597,356	

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Notes:

- (1) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Shanghai • Flourish projects or otherwise agreed to by the trustee, and the trustee or the party authorized by the trustee is entitled to the right to supervise the application of funds by the relevant project company.
- (2) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Shangrao • Sunkwan Riverside Seasons or otherwise agreed to by the trustee, and the trustee or the party authorized by the trustee is entitled to the right to supervise the application of funds by the relevant project company.
- (3) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the sole purpose of property projects construction and development, and a specified minimum amount of the funds shall be used for the purpose of construction and development of Shanghai • Sunkwan Center.
- (4) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the sole purpose of property projects construction and development, and such purpose shall not be modified without the prior written consent of the financing provider.
- (5) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Wenzhou • Prosperous Seasons or otherwise agreed to by the financing provider, and the financing provider is entitled to the right to supervise the application of funds by the relevant project company.
- (6) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Wenzhou • West Lakeside Seasons or otherwise agreed to by the financing provider, and the financing provider is entitled to the right to supervise the application of funds by the relevant project company.
- (7) It is stipulated in the relevant contract that the financing provider is entitled to the right to supervised the bank accounts of the relevant target companies as specified in the contract.
- (8) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Shangrao • Sunkwan Riverside Seasons and we shall not use the funds for other purposes without the prior written consent of the financing provider.
- (9) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall only be used as deposits for land auctions or as payment for land acquisitions.
- (10) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Ningbo • Cixi Riverview Mansion, and the financing provider is entitled to the right to supervise the bank accounts associated with such project.
- (11) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Changzhou • Mindcloud Peakview and the trust financing provider is entitled to the right to supervise the sales proceeds of the project.
- (12) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the sole purpose of property project construction and development, and such purpose shall not be modified without the prior written consent of the financing provider. We are also required under the arrangement to submit to the financing provider a detailed plan for the use of funds ten days prior to any application of the relevant funds.
- (13) It is stipulated in the relevant contract that the financing provider is entitled to the right to supervise the application of funds by the relevant project company.
- (14) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Hangzhou • Mindcloud Imperial Garden or otherwise agreed to by the financing provider, and the financing provider is entitled to the right to supervise the application of funds by the relevant project company.

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- (15) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Hangzhou • Mindcloud Imperial Garden or otherwise agreed to by the financing provider, and the financing provider is entitled to the right to supervise the application of funds by the relevant project company.
- (16) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the sole purpose of property project construction and development.
- (17) It is stipulated in the relevant contract that the financing provider is entitled to the right to supervise the application of funds by the relevant project company.
- (18) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the purpose of construction and development of Foshan • Mindcloud Mansion or otherwise agreed to by the financing provider, and the financing provider is entitled to the right to supervise the application of funds by the relevant project company.
- (19) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall only be used as deposits for land auctions or as payment for land acquisitions.
- (20) It is stipulated in the relevant contract that the funds we obtained under this arrangement shall be used for the sole purpose of property project construction and development.

Any payment from or use of the funds we obtain under the abovementioned trust financing arrangements will be subject to our internal payment procedural guidelines, which require that budgets and payments to be reviewed, approved and authorized by the project company’s general manager or by our chief executive officer in accordance with the detailed policies and measures set out in the guidelines.

Types of Our Other Loans

Our other loans are broadly categorized into:

- Type 1 arrangements which do not involve either a pledge or a transfer of equity interests;
- Type 2 arrangements which involve a pledge of equity interests; or
- Type 3 arrangements which involve a transfer of equity interests to the trust financing provider or a subscription of registered capital by the financial institutions. we undertake to repurchase such equity interests at a pre-determined repurchase consideration or at a consideration calculated based on a pre-determined formula at the expiry of the terms of the respective financing arrangements.

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The following table sets forth the aggregate principal balances of our other loans by type as of the dates indicated:

	As of April 30, 2020		As of August 31, 2020	
	Number	In RMB thousands	Number	In RMB thousands
Type 1	2	145,345	9	276,048
Type 2	7	2,562,398	5	1,045,699
Type 3	9	1,654,286	11	2,275,609
Total	18	4,362,029	25	3,597,356

Our other loans may also be secured by other securities, including pledges of land use rights of the relevant property projects, or guaranteed by corporate guarantees or personal guarantees by our Controlling Shareholders. At maturity, and upon the satisfaction of the terms for repayment, the corresponding guarantees and project liens will be released in accordance with the relevant agreements and, as the case may be, the pledge of the equity interests in the relevant company is released and/or the equity interests in the relevant company is repurchased from the relevant entities provided in each of our other loans. We believe these agreements we entered into are in line with industry practice in China.

Key Terms of Type 1 Arrangements

In Type 1 arrangements, where our equity interests are neither pledged nor transferred, the financing providers typically require such financings to be secured by our land use rights, properties under development and/or guaranteed personally by our Controlling Shareholders. They may also contain terms that restrict our project companies from entering into transactions such as merger, restructuring, providing guarantee to third parties or transfer, sale, pledge and the lease of material asset. These agreements may also contain terms that allow the financing providers to terminate the agreement in the event of the above incidents or certain other incidents that will have material adverse effect on the project companies, such as involvement in legal proceedings or severe financial losses. We retain the rights and control in respect of the daily operation and management of our project companies and borrowing subsidiaries.

Key Terms of Type 2 Arrangements

In Type 2 arrangements, the equity interests held by us or our Controlling Shareholders, as the case may be, in the relevant companies are pledged to the financing providers. The financing providers do not have the right to participate in these companies’ board or shareholders’ meetings or have veto rights in any form. In addition, we are generally not required to obtain the prior consent from the financing providers in respect of operational activities during the ordinary course of business. Since under the terms of this type of borrowing arrangements, the financing providers typically can only exercise ordinary

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creditors’ rights and do not have veto rights relating to operational matters in the ordinary course of business of those relevant companies, we believe that such arrangements will not affect the control over such companies. The pledged interests will be released upon repayment of the principal of, and any other amount due, under such arrangement.

Key Terms of Type 3 Arrangements

In Type 3 arrangements, a portion of our equity interests in the project companies are pledged and transferred to, or subscribed by and issued to, the financing providers as a security protective in nature for our repayment of loans. A summary of the key terms is set forth below.

Board representation

Under most of our Type 3 arrangements, the financing providers are entitled to appoint a certain number of directors on the board of our project companies or borrowing subsidiaries. We retain the majority board seats in all the relevant subsidiaries, therefore, we retain control over the decision making of such boards. During the Track Record Period, there was no dissenting vote casted by any of the board representatives appointed by the financing providers.

Control over the project companies

We retain the rights and control in respect of the day-to-day operation and management of our project companies and borrowing subsidiaries. However, under certain of our Type 3 arrangements, the financing providers are entitled to designate officers to relevant subsidiaries to supervise the management of such subsidiaries, including exercising actual control of the stamps, licenses and certificates, inspecting construction progress reports and other internal review documents, involving in setting operational and financial plans and review of investment, procurement and asset purchases. Such officers also have access to the bank account, financial records and IT systems of our project companies. In addition, under certain such arrangements, the financing providers are entitled to appoint the financial or operational manager of our subsidiary or to take over the management of our project companies in cases the management of our subsidiary are not competent to achieve the performance goals. Under certain Type 3 arrangements, the financing provider has the rights to set the price and sell the property units without approval by the board or shareholders if the sales target set forth in the respective agreement is not met at certain time prior to the maturity date. As of the Latest Practicable Date, we have received confirmation letters from such financing providers with respect to the operation and management of relevant subsidiaries, which confirm that such financing providers shall not enjoy the rights of setting selling prices on the relevant projects throughout the investments and we are in charge of the operation and management of relevant subsidiaries. Our PRC Legal Advisers have confirmed that these confirmations are legally valid under PRC laws.

During the Track Record Period and up to the Latest Practicable Date, none of the financing providers in this type of arrangements actively participated or intervened in the day-to-day operations and management of any of our project companies.

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Veto right

Under certain of our outstanding Type 3 arrangements, the financing providers are entitled to veto right to certain material matters relating to the relevant project company, including but not limited to the asset transfer or disposal, pledge of assets, change in shareholding, any loan or financing, any providing pledge or guarantee matters that may materially affect the relevant trust fund’s interests to recoup its fixed income return. In addition, we may not transfer the equity or control in the project company to any third party. Such veto rights were merely protective rights designed and effected to provide enhanced security to the financing provider in respect of our negative covenants given under the Type 3 arrangements.

As of the Latest Practicable Date, we conducted interviews with such financing providers and had received confirmation letters from them confirming that they would not exercise their veto rights. Our PRC Legal Advisers have confirmed to us that these confirmations are legally valid under PRC laws. During the Track Record period and up to the Latest Practicable Date, none of the board representatives of such financing provider had exercised its veto rights.

Under the Type 3 arrangements, we are exposed to variable returns from our involvement and we have the ability to affect those returns through our power over the relevant activities of the project companies in the ordinary course of business. The financing providers have the sole discretion to request us to repurchase the equity interests held by the financing providers at a fixed consideration or based on a fixed return rate. Therefore, the financing providers earn fixed return from their investments and their rights in the relevant project companies are considered protective in nature. According to IFRS 10.14 and IFRS 10.B27, since power is an essential element of control, protective rights do not provide the financing providers control over the relevant project company and holders of protective rights cannot prevent other entities from having power over the relevant project company. In this regard, the investments from the financing providers are treated as our liabilities and the relevant project companies are considered as our subsidiaries. See (b) under Note 1 and “Classification of subsidiaries, joint ventures and associates” under Note 3 to the Accountants’ Report in Appendix I to this document for more details on the applicable accounting standards for the Type 3 arrangements.

Repayment

The terms of our Type 3 arrangements range from 12 to 42 months. We are obliged to make the full repayment of the loans under our trust financing arrangements in order to repurchase the equity interest from the relevant trust financing providers and discharge the pledged land use rights and/or equity interests. If we fail to satisfy our repayment obligations on time, we will be subject to penalties for any late payment based on the calculation agreed in the relevant agreements, or we will be subject to enforcement actions against the security interest we have granted and could affect our ownership of our project companies. We have normally discharged our repayment obligations under these arrangements by utilizing our internal resources or other financing resources. During the Track Record Period, we had not

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defaulted on any of our repayments or other obligations in any material respect under the trust financing arrangements. We expect that we will continue to satisfy our repayment obligations under our asset management, trust financing or other financing arrangements.

Security

As security for the performance of our project companies, we have in some cases provided guarantees, share pledges and/or fixed asset liens to the financing providers.

Fixed income return

Under the terms of the Type 3 arrangements, the financing providers do not in any circumstance enjoy any investment return other than a pre-determined fixed income return. We remain fully accountable for the profits and losses of our project companies. The financing providers do not bear any risks or enjoy any benefits other than the fixed income return that was pre-determined through arm's length negotiation. Prior to entering into any Type 3 arrangement, we would compare and consider various financing plans provided by different financing providers taking into consideration multiple factors, including but not limited to financing costs, credit lines availability, collateral requirements and time duration for approval of such loans. With comprehensive consideration and comparison of the above factors, we believe that the Type 3 arrangements with outstanding balance as of April 30, 2020 and August 31, 2020 were entered into after arm's length negotiation on commercially reasonable terms.

As of April 30, 2020 and August 31, 2020, the fixed income return rates of our Type 3 arrangements ranged from 9.8% to 16.5%, which was within the range of the interest rate of total financing costs in the real estate market in China, according to E-house.

Mandatory early repurchase of equity interests

Under the terms of certain Type 3 arrangements, the financing provider may have the right to request us to repurchase the equity interests immediately if the project company liquidates, transfers of substantial portion of its assets, or that there are changes in the project company that makes the current business operation hard to continue or any other matters that could materially affect our ability to repurchase such equity interests. Under certain Type 3 arrangements, the financing provider has the right to request for early repurchase of the equity interests at an agreed price if the performance of the project company does not meet certain thresholds set out in the agreement.

Lease Liabilities

Lease liabilities are measured at net present value of the lease payments during the lease terms that are not yet paid. As IFRS 16, which took effect on January 1, 2019, had been consistently adopted during the Track Record Period, we recognized current lease liabilities within one year in the amount of RMB0.3 million, RMB3.7 million, RMB34.3 million, RMB33.5 million and RMB32.3 million as part of our current liabilities as of December 31,

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2017, 2018 and 2019, April 30, 2020 and August 31, 2020, respectively. We also had non-current lease liabilities of RMB96.4 million, RMB110.0 million, RMB82.4 million, RMB82.4 million and RMB51.0 million as of December 31, 2017, 2018 and 2019, April 30, 2020 and August 31, 2020, respectively. Our lease liabilities exceeded the carrying amount of investment properties held under leases and right-of-use assets primarily due to the payment schedule under our sales and leaseback arrangement. Pursuant to such arrangement, we have cash inflow from the sales of properties and the rental income, but we only start paying the rents from 2020. See “Business — Compliance with Laws and Regulations — Non-compliance Incidents — Sales and leaseback arrangement” and “Financial Information — Critical Accounting Policies and Estimates — Sales and Leaseback” for details.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of April 30, 2020, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the period or as of the dates indicated:

	Year Ended/As of December 31,			As of/ For the Four Months Ended April 30,
	2017	2018	2019	2020
Gross profit margin				
(%) ⁽¹⁾	30.9	51.5	40.8	51.6
Net gearing ratio (%) ⁽²⁾ ..	684.9	325.9	118.8	73.8
Interest coverage				
ratio (A) (%) ⁽³⁾	75.8	383.9	279.5	147.0
Interest coverage				
ratio (B) (%) ⁽⁴⁾	199.0	1,171.1	1,075.6	616.2
Current ratio (times) ⁽⁵⁾ ..	1.1	1.2	1.1	1.1
Return on equity (%) ⁽⁶⁾ ..	5.5	54.9	29.6	16.7
Return on equity to the				
owners of the parent				
shareholders (%) ⁽⁷⁾	8.2	24.9	29.8	7.2
Return on assets (%) ⁽⁸⁾ ..	0.3	3.8	3.0	1.9

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Notes:

- (1) Gross profit for the period divided by revenue of the period and multiplied by 100.
- (2) Interest-bearing bank and other borrowings less cash and bank balances divided by total equity at the end of the period and multiplied by 100.
- (3) Interest coverage ratio (A) is profit for the period before income tax expense, adding finance costs, divided by interest on interest-bearing bank and other borrowings and lease liabilities and interest expense arising from revenue contracts which include capitalized interest for the respective period and multiplied by 100.
- (4) Interest coverage ratio (B) is profit for the period before income tax expense, adding finance costs, divided by finance costs and multiplied by 100.
- (5) Total current assets at the end of the period divided by total current liabilities at the end of the period.
- (6) Profit of the year or annualized period (including profit recognized from fair value gains on investment properties) divided by the average of total equity at the beginning and the end of the period and multiplied by 100. Our fair value gains on investment properties amounted to RMB254.2 million, RMB159.8 million, RMB175.8 million and RMB12.5 million in 2017, 2018 and 2019 and the four months ended April 30, 2020, respectively. See “Risk Factors — Risks Relating to Our Business and Industry — 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” for details.
- (7) Profit of the year or annualized period attributable to owners of the parent divided by the average of equity excluding non-controlling interests at the beginning and the end of the period and multiplied by 100.
- (8) Profit of the year or annualized period divided by the average of total assets at the beginning and the end of the period and multiplied by 100.

Our return on equity to the owners of the parent shareholders increased from 8.2% in 2017 to 24.9% in 2018, and further to 29.8% in 2019. Such continuous growth was primarily because the increase in our profit of the period attributable to owners of the parent outpaced the increase in equity excluding non-controlling interests during the same period. Our return on equity to the owners of the parent shareholders decreased from 29.8% in 2019 to 7.2% in the four months ended April 30, 2020, primarily due to a decrease in net profit attributable to owners of the parent.

Gross Profit Margin

Our gross profit margin was 30.9%, 51.5%, 40.8% and 51.6% in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively. See “— Description of Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Period to Period Comparison of Results of Operations” for details.

Net Gearing Ratio

Net gearing ratio decreased from 684.9% as of December 31, 2017 to 325.9% as of December 31, 2018, and further to 118.8% as of December 31, 2019, primarily because the continuous increase in our total equity, mainly as a result of our increasing retained earnings. Net gearing ratio decreased from 118.8% as of December 31, 2019 to 73.8% as of April 30, 2020, primarily due to the decrease in interest-bearing bank and other borrowings.

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Interest Coverage Ratio

Our interest coverage ratio (A) increased from 75.8% as of December 31, 2017 to 383.9% as of December 31, 2018, but later decreased to 279.5% as of December 31, 2019. The higher interest coverage ratio (A) in 2018 was mainly attributable to the higher net profit for the year. Our interest coverage ratio (A) further decreased from 279.5% as of December 31, 2019 to 147.0% as of April 30, 2020, primarily due to a decrease in net profit for the period. We used interest coverage ratio (A) in the measurement of the level of our interest coverage since its calculation includes our capitalized interest for the respective period and therefore reflects a more accurate measurement of the level of our interest coverage.

Our interest coverage ratio (B), which excludes capitalized interest for the respective period, increased from 199.0% as of December 31, 2017 to 1,171.1% as of December 31, 2018, but later decreased to 1,075.6% as of December 31, 2019. The higher interest coverage ratio (B) in 2018 was mainly attributable to the higher net profit for the year. Our interest coverage ratio (B) further decreased from 1,075.6% as of December 31, 2019 to 616.2% as of April 30, 2020, primarily due to a decrease in net profit for the period.

Current Ratio

Our current ratio remained relatively stable at 1.1, 1.2, 1.1 and 1.1 times as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively.

Return on Equity

Our return on equity increased from 5.5% in 2017 to 54.9% in 2018, but later decreased to 29.6% in 2019. The higher return on equity in 2018 was mainly attributable to the higher net profit for the year. Our return on equity decreased from 29.6% in 2019 to 16.7% in the four months ended April 30, 2020, primarily due to a decrease in net profit for the period.

Return on Equity to the Owners of the Parent Shareholders

Our return on equity to the owners of the parent shareholders increased from 8.2% in 2017 to 24.9% in 2018, and further to 29.8% in 2019. The upward trend was mainly as a result of the increase in our net profit attributable to owners of the parent outpaced the increase in equity excluding non-controlling interests during the same period. Our return on equity to the owners of the parent shareholders decreased from 29.8% in 2019 to 7.2% in the four months ended April 30, 2020, primarily due to a decrease in net profit attributable to owners of the parent.

Return on Asset

Our return on assets increased from 0.3% in 2017 to 3.8% in 2018, but later decreased to 3.0% in 2019. The higher return on assets in 2018 was mainly attributable to the higher net profit for the year. Our return on assets decreased from 3.0% in 2019 to 1.9% in the four months ended April 30, 2020, primarily due to a decrease in net profit for the period.

Financial Ratios under the Proposed PBOC Standard

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 assets (excluding contract liabilities) by total liabilities (excluding contract

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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.

As of April 30, 2020, we had complied with two of the abovementioned three limits proposed by the PBOC: (i) our liability asset ratio (excluding contract liabilities), calculated as dividing our total assets (excluding contract liabilities) by our total liabilities (excluding contract liabilities), was 81.8%; (ii) as mentioned above, our net gearing ratio was 73.8%; and (iii) the ratio of our cash and bank balances divided by the current portion of interest-bearing bank and other borrowings was 1.4.

In August 2020, a forum was held among the MOHURD, the PBOC and certain property developers to discuss long-term mechanisms for the real estate sector in China, which indicated that relevant regulations and policies governing the external financing of property developers in China have been formed. However, as of the Latest Practicable Date, there were no official announcements regarding new regulations or rules after the forum was held. As such, the abovementioned standard proposed by the PBOC has not come into effect. We will continue to monitor the relevant regulatory updates to ensure our compliance in this regard.

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 and RMB4.7 million in 2017, 2018, 2019 and the four months ended April 30, 2020, respectively.

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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.

Management makes periodic collective assessments for financial assets included in prepayments and other receivables, amounts due from related companies and amounts due from a shareholder as well as individual assessments on the recoverability of other receivables, amounts due from related companies and amounts due from a shareholder based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of financial assets included in prepayments and other receivables, amounts due from related companies and amounts due from a shareholder.

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.

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DISTRIBUTABLE RESERVES

Under PRC laws, distributable reserves consist of net profit calculated according to PRC accounting principles, which, in many aspects, differs from the generally accepted accounting principles in other jurisdictions, including IFRS. In addition, PRC laws and regulations also require a PRC-incorporated enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends (when the statutory reserve reaches and is maintained at or above 50% of their registered capital, no further allocations to this statutory reserve will be required). These statutory reserves are not available for distribution as cash dividends. Therefore, the differences between the methods used in the calculation of distributable profits adopted by IFRS and PRC GAAP may have an impact on the amount of dividends we may receive from our PRC subsidiaries. Nevertheless, we do not expect that such differences between PRC GAAP and IFRS to be material on our business, financial condition and results of operations.

As of April 30, 2020, our reserves available for distribution to the Shareholders were RMB509.1 million.

SENSITIVITY ANALYSIS OF HISTORICAL RESULTS

For illustrative purposes only, the following table demonstrates the sensitivity of our profit for the period during the Track Record Period to hypothetical changes in cost of sales (excluding the impact caused by income tax expense):

	Profit/(Loss) for the Year						Profit/(Loss) for the Period			
	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(In thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Hypothetical changes in cost of sales										
8%	(31,807)	(192.0)	407,176	(39.5)	319,750	(52.8)	23,794	(66.0)	113,950	(28.1)
6%	(15,211)	(144.0)	473,609	(29.6)	409,035	(39.6)	35,366	(49.5)	125,066	(21.1)
4%	1,385	(96.0)	540,042	(19.7)	498,320	(26.4)	46,939	(33.0)	136,183	(14.0)
2%	17,982	(48.0)	606,475	(9.9)	587,604	(13.2)	58,511	(16.5)	147,299	(7.0)
0%	34,578	0.0	672,908	0.0	676,889	0.0	70,083	0.0	158,415	0.0
-2%	51,174	48.0	739,341	9.9	766,174	13.2	81,655	16.5	169,531	7.0
-4%	67,771	96.0	805,774	19.7	855,458	26.4	93,227	33.0	180,647	14.0
-6%	84,367	144.0	872,207	29.6	944,743	39.6	104,800	49.5	191,764	21.1
-8%	100,963	192.0	938,640	39.5	1,034,028	52.8	116,372	66.0	202,880	28.1

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For illustrative purposes only, the following table demonstrates the sensitivity of our profit for the period during the Track Record Period to hypothetical changes in our recognized ASP (excluding the impact caused by income tax expense), with all other variables held constant:

	Profit/(Loss) for the Year						Profit/(Loss) for the Period			
	Year Ended December 31,						Four Months Ended April 30,			
	2017		2018		2019		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(In thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Hypothetical changes in recognized ASP										
8%	130,666	277.9	1,220,703	81.4	1,279,702	89.1	162,230	131.5	250,295	58.0
6%	106,444	208.4	1,083,754	61.1	1,128,999	66.8	139,194	98.6	227,325	43.5
4%	82,622	138.9	946,805	40.7	978,295	44.5	116,157	65.7	204,355	29.0
2%	58,600	69.5	809,857	20.4	827,592	22.3	93,120	32.9	181,385	14.5
0%	34,578	0.0	672,908	0.0	676,889	0.0	70,083	0.0	158,415	0.0
-2%	10,556	(69.5)	535,959	(20.4)	526,186	(22.3)	47,046	(32.9)	135,445	(14.5)
-4%	(13,466)	(138.9)	399,011	(40.7)	375,483	(44.5)	24,009	(65.7)	112,475	(29.0)
-6%	(37,488)	(208.4)	262,062	(61.1)	224,779	(66.8)	972	(98.6)	89,505	(43.5)
-8%	(61,510)	(277.9)	125,113	(81.4)	74,076	(89.1)	(22,064)	(131.5)	66,535	(58.0)

For illustrative purposes only, the following table demonstrates the sensitivity of certain of our cash flow items during the Track Record Period to a hypothetical increase/decrease of 20% in our recognized ASP, with all other variables held constant:

	Year Ended/As of December 31,			Four Months Ended/As of April 30,	
	2017	2018	2019	2019	2020
<i>(In RMB thousands)</i>					
<i>(Unaudited)</i>					
Contract liabilities	7,752,566	5,021,651	8,329,464	6,339,952	9,179,494
Net cash flows (used in)/from operating activities	(38,485)	(3,806,667)	2,007,987	1,088,457	1,106,733
Cash and cash equivalents	506,262	454,669	1,073,449	1,130,956	1,585,384
Hypothetical increase of 20% in recognized ASP					
Increase/(decrease) in contract liabilities	5,648,570	(3,277,098)	2,934,857	1,581,961	1,020,036
Net cash flows from/(used in) operating activities	902,943	(4,352,850)	2,497,130	1,352,117	1,276,739
Net increase/(decrease) in cash and cash equivalents	1,203,757	(597,776)	1,107,973	939,947	681,891
Hypothetical decrease of 20% in recognized ASP					
Increase/(decrease) in contract liabilities	3,765,714	(2,184,732)	1,956,571	1,054,641	680,024
Net cash flows (used in)/from operating activities	(979,913)	(3,260,484)	1,518,844	824,797	936,727
Net (decrease)/increase in cash and cash equivalents	(679,099)	494,590	129,687	412,627	341,879

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The following table demonstrates the sensitivity of the fair value of completed investment properties during the Track Record Period to hypothetical changes in rental and capitalization rate:

		Fair value of completed commercial properties							
		2017		As of December 31, 2018		2019		As of April 30, 2020	
		RMB	%	RMB	%	RMB	%	RMB	%
		(In thousands, except for percentages)							
Hypothetical changes in the input									
Rent									
5%		1,567,100	4.2	1,689,600	4.3	1,836,700	4.4	1,845,700	4.3
0%		1,503,800	0.0	1,620,500	0.0	1,760,000	0.0	1,769,400	0.0
-5%		1,440,600	(4.2)	1,551,300	(4.3)	1,682,200	(4.4)	1,691,700	(4.4)
Capitalization rate									
10%		1,408,200	(6.4)	1,519,000	(6.3)	1,651,600	(6.2)	1,661,400	(6.1)
0%		1,503,800	0.0	1,620,500	0.0	1,760,000	0.0	1,769,400	(0.0)
-10%		1,610,100	7.1	1,732,800	7.0	1,880,000	6.8	1,888,800	(6.7)

DIVIDENDS

We may distribute dividends by way of cash, stock or other means that we consider appropriate. Our Company has not declared dividends in the past.

We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles of Association, we in general meeting may declare dividends in any currency, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

We do not currently have any dividend plans nor do we have any pre-determined dividend pay-out ratio in the foreseeable future. However, we may re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividend will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions.

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In addition, the PRC laws and regulations also require a PRC incorporated enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends. In addition, distributions from our subsidiaries may be restricted as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan by our Board or at all. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Moreover, PRC laws require that dividends be paid only out of net profit calculated according to the PRC accounting principles, which may differ from the generally accepted accounting principles in other jurisdictions, including IFRS. Our Directors are of the view that there will be no significant negative impact arising from the differences between IFRS and the generally accepted accounting principles in China on our ability to distribute dividends in the future.

[REDACTED] EXPENSES

The [REDACTED] expenses in connection with the [REDACTED] consist primarily of [REDACTED] commissions and professional fees. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED] million (HK\$[REDACTED] million), of which (i) RMB[REDACTED] million (HK\$[REDACTED] million) was recognized as administrative expenses, with RMB[REDACTED] million (HK\$[REDACTED] million) charged in 2018, RMB[REDACTED] million (HK\$[REDACTED] million) charged in 2019 and the remaining RMB[REDACTED] million (HK\$[REDACTED] million) charged in the four months ended April 30, 2020, respectively, and (ii) RMB[REDACTED] million (HK\$[REDACTED] million) was capitalized as deferred [REDACTED] expenses. We currently expect to incur additional [REDACTED] expenses amounting to RMB[REDACTED] million (HK\$[REDACTED] million) subsequent to the Track Record Period, of which (i) RMB[REDACTED] million (HK\$[REDACTED] million) will be recognized as administrative expenses, and (ii) RMB[REDACTED] million (HK\$[REDACTED] million) will be recognized as a deduction equity. The [REDACTED] expenses incurred during the Track Record Period and we expect to incur in aggregate are estimated to account for approximately [REDACTED]% of our estimated gross [REDACTED] of HK\$[REDACTED] million from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]). Our Directors do not expect such expenses to have a material adverse impact on our financial results in 2020.

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PROPERTY INTERESTS AND PROPERTY VALUATION

JLL, an independent property valuer, valued our property interests as of July 31, 2020 and is of opinion that the aggregate value of our property interests as of such date was RMB35,396.3 million. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix III to this document.

A reconciliation of the net book value of our properties as of April 30, 2020 as set out in the Accountants’ Report in Appendix I to their fair value as of July 31, 2020 as stated in the property valuation report set out in the Property Valuation Report in Appendix III is set out below.

(RMB in thousands)

**Net book value of the following properties as of
April 30, 2020**

— Properties under development	11,675,614
— Completed properties held for sale	506,810
— Investment properties excluding investment properties held under lease	2,887,700
Addition	1,052,573
Less: sale of completed properties held for sale	(609,365)
Net book value of the properties as of July 31, 2020	15,513,332
Net valuation surplus	1,794,068
Market value of properties as of July 31, 2020 as set out in the Property Valuation Report in Appendix III to this document	35,396,300
Less: Market value of properties of the Group’s joint ventures and associated companies included in the Property Valuation Report in Appendix III	(18,088,900)
Market value of properties as of July 31, 2020 as set out in the Property Valuation Report in Appendix III to this document (excluding properties of the Group’s joint ventures and associated companies)	17,307,400

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on our consolidated net tangible assets attributable to the owners of our Company as of April 30, 2020 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [REDACTED] been completed as of April 30, 2020 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of our Company as of April 30, 2020 as set out in the Accountants’ Report as set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company does not form part of the Accountants’ Report as set out in Appendix I to this document.

	Unaudited consolidated net tangible assets attributable to owners of our Company as of April 30, 2020 ⁽¹⁾	Estimated [REDACTED] from the [REDACTED] ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets	Adjusted consolidated net tangible assets attributable to owners of our Company per Share ⁽³⁾⁽⁴⁾	
	RMB	RMB	RMB	RMB	HK\$
<i>(In thousands)</i>					
Based on an [REDACTED] of HK\$[REDACTED] per Share	[878,581]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[878,581]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[878,581]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of our Company as of April 30, 2020 is extracted from the Accountants’ Report, which is based on the unaudited consolidated equity attributable to owners of our Company as of April 30, 2020 of approximately RMB881.0 million after deducting intangible assets of RMB2.4 million.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] per Share, HK\$[REDACTED] per Share or HK\$[REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by our Group and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or the options which may be granted under the [REDACTED] Share Option Scheme. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.0 to RMB[0.87896].

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- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is calculated based on [REDACTED] Shares to be issued immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or the options which may be granted under the [REDACTED] Share Option Scheme.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB[0.87896].

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had carried out transactions with related parties as set forth in Note 39 to the Accountants’ Report set out in Appendix I to this document.

During the Track Record Period, our related parties might be generally classified as three groups, (i) our joint ventures and associates, (ii) entities controlled by our Controlling Shareholders, and (iii) entities controlled by our key management personnel.

Our Joint Ventures and Associates

During the Track Record Period, amounts due from or to our joint ventures and associates were mainly non-trade interest-free cash advances we made to or received from these entities to support the business operations of the relevant entities or us. An insignificant portion of the amounts due from joint ventures were of trade nature which were relating to the management consulting and property management services we provided to these entities. As of December 31, 2017, 2018 and 2019 and April 30, 2020, the total amounts due from joint ventures and associates were RMB819.4 million, RMB832.8 million, RMB1,736.2 million and RMB1,771.6 million, respectively. As of the same dates, amounts due to joint ventures and associates were nil, RMB243.4 million, RMB561.6 million and RMB570.6 million, respectively.

These joint ventures and associates are project companies formed by our business partners, a majority of which being renowned property developers, and us to develop and manage property projects during the normal course of our business. At the early stage of project development, in addition to our capital contribution, we also provide interest-free cash advances to project companies formed by our business partners and us to support the development and operations of the property projects. Therefore, we record non-trade amounts due from our joint ventures and associates. After the property projects move to pre-sale phase, such project companies will receive pre-sale proceeds. During the Track Record Period, we generally were able to recover our non-trade interest-free cash advances to these joint ventures and associates from their pre-sale proceeds. On the other hand, to better utilize such pre-sale proceeds, we also receive non-trade interest-free cash advances from such joint ventures and associates and recorded amounts due to our joint ventures and associates accordingly. These amounts due from or to our joint ventures and associates arose from the ordinary course of business and mainly relate to the costs for the operating and development activities of the relevant property projects. Furthermore, these non-trade amounts due from or to our joint ventures and associates will be gradually settled alongside with the progress of the development schedule and pre-sale

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schedule of the relevant property projects and will be fully settled after the completion of the full development cycle of the relevant property projects. Accordingly, we do not intend to settle all the outstanding amounts due from or to joint ventures and associates prior to the [REDACTED] so as to ensure sufficient working capital and implementation of the development schedule for the relevant property projects. In addition, we expect that such advances will be recurring in future periods during the ordinary course of our business.

Entities Controlled by Our Controlling Shareholders

During the Track Record Period, amounts due from or to companies controlled by our Controlling Shareholders were primarily non-trade interest-free cash advances we made to or received from these companies to support the business operation of the relevant companies.

As of December 31, 2017, 2018 and 2019 and April 30, 2020, total amounts due from companies controlled by our Controlling Shareholders were RMB795.2 million, RMB447.1 million, RMB260.9 million and RMB7.0 million, respectively. As of the same dates, amounts due to companies controlled by our Controlling Shareholders were RMB5.9 million, RMB122.6 million, RMB70.0 million and RMB603.1 million, respectively. We expect to settle all the remaining non-trade amounts due from or to companies controlled by our Controlling Shareholders prior to the [REDACTED]. We will not provide such non-trade interest-free cash advances to companies controlled by our Controlling Shareholders after the [REDACTED].

Amounts Due from Companies Controlled by Our Controlling Shareholders

The following table sets forth the details of the amounts due from companies controlled by our Controlling Shareholders in absolute amounts and as percentage of the total amounts due from companies controlled by our Controlling Shareholders as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively:

Entities	As of December 31,						As of April 30,	
	2017		2018		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentage)</i>								
Non-trade-related								
Shanghai Kunfei Enterprise Management Co., Ltd. . .	—	—	—	—	256,254	98.2	—	—
Shanghai Sunkwan Industrial Investment Co., Ltd. . . .	793,479	99.8	447,093	100.0	—	—	—	—
Yingxin Investment Group Co., Ltd.	—	—	—	—	4,656	1.8	4,656	66.7
Others	—	—	16	—*	—	—	—	—
Subtotal	793,479	99.8	447,109	100.0	260,910	100.0	4,656	66.7

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Entities	As of December 31,						As of April 30,	
	2017		2018		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentage)</i>								
Trade-related								
Shanghai Sunkwan Property Management Co., Ltd. . .	1,720	0.2	—	—	—	—	—	—
Shanghai Yuhai Landscaping Co., Ltd.	—	—	—	—	—	—	2,328	33.3
Subtotal	<u>1,720</u>	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,828</u>	<u>33.3</u>
Total	<u>795,199</u>	<u>100.0</u>	<u>447,109</u>	<u>100.0</u>	<u>260,910</u>	<u>100.0</u>	<u>6,984</u>	<u>100.0</u>

* Less than 0.1%.

As of December 31, 2017, we had amounts due from companies controlled by our Controlling Shareholders of RMB795.2 million, accounting for 49.0% of our total amounts due from related parties as of the same date, primarily representing the outstanding balance from Sunkwan Industrial. As of December 31, 2018, we had amounts due from companies controlled by our Controlling Shareholders of RMB447.1 million, accounting for 34.7% of our total amounts due from related parties as of the same date, primarily representing the outstanding balance from Sunkwan Industrial. As of December 31, 2019, we had amounts due from companies controlled by our Controlling Shareholders of RMB260.9 million, accounting for 13.1% of our total amounts due from related parties as of the same date, primarily representing the outstanding balance from Shanghai Kunfei Enterprise Management Co., Ltd (“**Shanghai Kunfei**”). As of April 30, 2020, we had amounts due from companies controlled by our Controlling Shareholders of RMB7.0 million, accounting for 0.4% of our total amounts due from related parties as of the same date, representing the outstanding balance from Yingxin Investment Group Co., Ltd.

During the Track Record Period, such receivables were primarily resulted from our cash advances paid to Sunkwan Industrial and Shanghai Kunfei. In addition to the property development business operated under the Group, our Controlling Shareholders also engaged in other types of business, such as property management and service apartment business. During the Track Record Period, to better support the operations of different business segments, our Controlling Shareholders from time to time allocated working capital among their different business segments. Such fund allocations were transferred through designated companies controlled by our Controlling Shareholders. After the completion of our Reorganization in June 2019, these designated fund transfer companies were excluded from the Group. Therefore, we recorded these working capital among the different business segments controlled by our Controlling Shareholders as amounts due from companies controlled by our Controlling Shareholders. Sunkwan Industrial was functioned as the designated fund transfer company in 2017 and 2018, and Shanghai Kunfei was subsequently functioned as the designated fund

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transfer company in 2019. Therefore, our amounts due from Sunkwan Industrial and Shanghai Kunfei in the relevant periods were primarily a result of our cash outflow for supporting other business segments operated by our Controlling Shareholders in the relevant periods.

As of August 31, 2020, we have settled all the remaining non-trade-related amounts due from companies controlled by our Controlling Shareholders and will not provide such cash advances to companies controlled by our Controlling Shareholders after the [REDACTED].

Amounts Due to Companies Controlled by Our Controlling Shareholders

The following table sets forth the details of the amounts due to companies controlled by our Controlling Shareholders in absolute amounts and as percentage of the total amounts due to companies controlled by our Controlling Shareholders as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively:

Entities	As of December 31,						As of April 30,	
	2017		2018		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentage)</i>								
Non-trade-related								
Shanghai Kunfei Enterprise Management Co., Ltd. . .	—	—	—	—	—	—	526,403	87.3
Zhejiang Kunshun Investment Management Co., Ltd.	—	—	43,874	35.8	47,717	68.1	48,981	8.1
Shenzhen Yingxinguofu Asset Management Co., Ltd.	—	—	29,047	23.7	—	—	—	—
Shanghai Sanyou Investment Partnership (Limited Partnership) . . .	—	—	28,371	23.1	—	—	—	—
Shanghai Shirui Investment Partnership (Limited Partnership) . . .	—	—	10,132	8.3	—	—	—	—
Subtotal	—	—	111,424	90.9	47,717	68.1	575,384	95.4
Trade-related								
Shanghai Sunkwan Property Management Co., Ltd. . .	5,900	100.0	11,217	9.1	13,240	18.9	8,415	1.4
Shanghai Maohuan Construction Material Co., Ltd.	—	—	—	—	9,091	13.0	19,306	3.2
Subtotal	5,900	100.0	11,217	9.1	22,331	31.9	27,721	4.6
Total	5,900	100.0	122,641	100.0	70,048	100.0	603,105	100.0

* Less than 0.1%.

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As of December 31, 2017, all our amounts due to companies controlled by our Controlling Shareholders of RMB5.9 million represented the trade-related payable in relation to the property management services provided by Sunkwan Property Management. As of December 31, 2018, we had amounts due to companies controlled by our Controlling Shareholders of RMB122.6 million, accounting for 13.2% of our total amounts due to related parties as of December 31, 2018, primarily representing the non-trade-related outstanding balance to Kunshun Investment, Shenzhen Yingxinguofu Asset Management Co., Ltd., Sanyou Partnership, Sunkwan Property Management and Shirui Partnership. As of December 31, 2019, we had amounts due to companies controlled by our Controlling Shareholders of RMB70.0 million, accounting for 11.1% of our total amounts due to related parties as of December 31, 2019, primarily representing the non-trade-related outstanding balance to Kunshun Investment. As of April 30, 2020, we had amounts due to companies controlled by our Controlling Shareholders of RMB603.1 million, accounting for 51.4% of our total amounts due to related parties as of April 30, 2020, primarily representing the non-trade-related outstanding balance to Shanghai Kunfei. During the Track Record Period, such non-trade-related payables were primarily a result of the cash advances provided by the companies controlled by our Controlling Shareholders to support our property development business.

As of August 31, 2020, we have settled all the remaining non-trade-related amounts due to companies controlled by our Controlling Shareholders and will not receive such cash advances from companies controlled by our Controlling Shareholders after the [REDACTED].

In addition, in 2019 and the four months ended April 30, 2020, we had procured raw materials used in our property projects from Shanghai Maohuan Construction Material Co., Ltd. (上海貿幻建築材料銷售有限公司) (“**Shanghai Maohuan**”), a company of which Ms. Zhu and Mr. Lin are controlling shareholders and also one of our five largest suppliers during the Track Record Period, in an amount of RMB12.0 million and RMB30.4 million, respectively. For details regarding our transaction with Shanghai Maohuan, see “Business — Suppliers and Customers.” In 2019 and the four months ended April 30, 2020, we had engaged post-delivery property maintenance services from Sunkwan Property Management in an amount of RMB958,173 and RMB553,233, respectively. Further, in the four months ended April 30, 2020, we had engaged landscape construction service from Shanghai Yuhai Landscaping Co., Ltd. (上海玉海園林綠化有限公司), a company controlled by Ms. Zhu, in an amount of RMB4.0 million. We expect to cease all the abovementioned transactions prior to the [REDACTED] and will not enter into such transactions after the [REDACTED].

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Entities Controlled by Our Key Management Personnel

The following table sets forth the details of the amounts due to companies controlled by our key management personnel in absolute amounts and as percentage of the total amounts due to companies controlled by our key management personnel as of December 31, 2017, 2018 and 2019 and April 30, 2020, respectively:

Entities	As of December 31,						As of April 30,	
	2017		2018		2019		2020	
	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentage)</i>								
Non-trade-related								
Shanghai Moer Asset Management Co., Ltd. . .	—	—	212,358	37.7	—	—	—	—
Shanghai Jike Asset Management Co., Ltd. . .	30	100.0	350,400	62.3	—	—	—	—
Total	30	100.0	562,758	100.0	—	—	—	—

During the Track Record Period, in order to support our property development business, we also received non-trade interest-free advances from companies controlled by our key management personnel. In particular, in 2018 and 2019, we received non-trade cash advances from Shanghai Jike Asset Management Co., Ltd. in a net amount of RMB0.3 million and RMB350.4 million, respectively. In 2018, we also received non-trade cash advances from Shanghai Moer Asset Management Co., Ltd. in a net amount of RMB212.4 million. These two companies are controlled by our general manager of commercial business department and principally engage in service apartment services. The relevant cash advances were made to support our general business operation and property development projects. We had repaid all of the advances due to such companies by April 30, 2020 with our internally generated funds. We will not rely on such source of financing after the [REDACTED].

In addition, during the Track Record Period, we made non-trade interest-free advances to a shareholder. As of December 31, 2017, 2018 and 2019 and April 30, 2020, total amounts due from such shareholder were RMB8.7 million, RMB8.7 million, nil and nil, respectively.

Our Directors confirmed that all such related party transactions were conducted on an arm’s length basis and on fair and reasonable terms.

The abovementioned non-trade amounts due from or to related parties involved the lending of money which may not be in compliance with the General Lending Provisions (《貸款通則》), a regulation promulgated by the PBOC in 1996. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans and loans between companies that are not financial institutions are prohibited. 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. However, according to the Provisions of the

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Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “Provisions”) promulgated on June 23, 2015 and effective on September 1, 2015, borrowing agreements are valid if extended for purposes of financing production of business operations. PRC courts will also support a company’s claim for interest in respect of such a loan as long as the annual interest rate does not exceed 24%. Pursuant to the Notice of the Supreme People’s Court on Conscientiously Studying, Implementing and Applying the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於認真學習貫徹適用<最高人民法院關於審理民間借貸案件適用法律若干問題的規定>的通知》) published on August 25, 2015, the Provisions shall apply to loans entered into prior to the implementation of the Provisions that are invalid under the former judicial interpretations but valid under the Provisions.

As confirmed by our Directors, as of the Latest Practicable Date, we had not received any notice of claim or penalty relating to such advances. We are advised by our PRC legal Advisers 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.

SUBSEQUENT EVENT

There has been an outbreak of COVID-19 around the world. We believe that, based on the information available as of April 30, 2020, the outbreak of COVID-19 would not result in a material disruption to our business operations or material impact on the financial position or financial performance. However, it is uncertain when and whether COVID-19 could be contained globally. The above analysis is made by us based on the currently available information concerning COVID-19. We cannot assure that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.

MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since April 30, 2020, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since April 30, 2020 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme), YongHeng Holdings and Ginkgo-BVI will respectively hold approximately [REDACTED]% and [REDACTED]% of the issued share capital of the Company. YongHeng Holdings is wholly owned by FULVA Holding, which is directly wholly owned by Northern American Trust Company, LLC as trustee of Fulva Family Trust (a discretionary trust established by Ms. Zhu as the settlor and Northern American Trust Company, LLC as the trustee for the benefit of Ms. Zhu and her family). Ginkgo-BVI is held as to approximately 79.48% by Mr. Lin. Each of YongHeng Holdings, FULVA Holding and Ginkgo-BVI is an investment holding company. Accordingly, Ms. Zhu, Mr. Lin, YongHeng Holdings, FULVA Holding and Ginkgo-BVI will be considered as our Controlling Shareholders immediately after the [REDACTED] under the Listing Rules. For the background and relevant industry experience of Ms. Zhu and Mr. Lin, please refer to the section headed “Directors, Senior Management and Employees” in this document.

NON-CORE BUSINESS AND DELINEATION

The core business of our Group is property development with a focus on residential properties complemented by the development of commercial and mixed-use properties.

In addition to our business, Ms. Zhu and Mr. Lin also have interests, either directly or indirectly, in other businesses through Sunkwan Enterprise. These businesses include, among others, construction materials, investment management, catering and gardening, which have no competition with our business. Moreover, in order to streamline our Group’s corporate structure and to focus on our core business, as part of the Reorganization, Sunkwan Properties disposed of its entire equity interest in Sunkwan Investment, which primarily engages in investment business that is not relevant to our core business to Sunkwan Enterprise. Please see the section “History, Reorganization and Corporate Structure — Reorganization” in this document for further details.

Sunkwan Enterprise and Mr. Lin also have investments in other businesses as set out below (the “**Non-Core Business**”). Such businesses do not form part of our Group as they are not part of our core business, notwithstanding that they are related to our core business. Details of such businesses are as follows:

1. Property management services and sales management services

Sunkwan Enterprise holds Sunkwan Property Management, which in turn holds various subsidiaries (together, the “**Sunkwan Property Management Group**”), which are PRC entities primarily engaged in the provision of property management services for residential properties in the PRC. Sunkwan Property Management Group provides, among others, property management services, including (i) property management services such as security, car park

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management, cleaning, gardening, repair, maintenance and operation of common area and shared facilities, (ii) housing inspection services and (iii) management and maintenance services for unsold property units and car park spaces, and sales management services to showrooms, display units and sales offices. Sunkwan Property Management Group has been providing these management services to our property projects since 2013 and will continue to do so after [REDACTED]. Details of the continuing connected transactions between Sunkwan Property Management Group and our Group are set out in the section headed “Connected Transactions” in this document.

It is our Group’s strategy to focus on property development. Property management services provided by Sunkwan Property Management Group is separate and distinct from our Group’s business. In order to focus our resources on project development and to streamline our business, we decided not to inject property management business into our Group. We are of the view that such business has not given and is unlikely to give rise to any direct or indirect competition with the business of our Group.

2. Financial investment in property development and property management companies

Moreover, Mr. Lin, our non-executive Director and one of our Controlling Shareholders, is indirectly interested in the following companies:

Entity Name	Principal Activities	Total Interests
Landsea Group Co., Ltd (朗詩集團股份有限公司) (“Landsea Group”)	Green Technology Property Development, Green Aged-care, Green Financial Services, Green Decoration, Green Design and Green Property Services	Approximately 7.15%
Landsea Green Properties Co., Ltd (朗詩綠色地產有限公司) (“Landsea Green Properties”)	Green Technology Property Development	Approximately 4%

Landsea Group is a limited liability company established in the PRC on December 24, 2001, with registered capital of RMB240,500,800 as of the Latest Practicable Date. It has a mixed business portfolio and is actively engaged in the businesses and investments of green technology property development, green aged-care, green financial services, green decoration, green design and green property services. According to Landsea Group’s official website, as of the Latest Practicable Date, it had developed or was developing more than 90 property projects in different cities in the PRC, including Nanjing, Shanghai, Tianjin, Hangzhou, Suzhou, Wuhan, Chengdu, Chongqing, Wuxi, Changzhou, Shaoxing, Shijiazhuang and Hefei. It has also expanded its property business into the United States and Germany. Landsea Group is interested in 50.10% of the total number of issued shares of Landsea Green Properties, hence

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it is a controlling shareholder of Landsea Green Properties. Mr. Lin is indirectly interested in approximately 15.99% of the equity interest in Landsea Group and the remaining equity interests are owned by other independent third parties. Mr. Lin has been a passive investor and a director of Landsea Group, who is not involved in its daily management and operation, since May 2007.

Landsea Green Properties was incorporated in Bermuda as an exempted company with limited liability on May 30, 1990. It principally engages in development of green technology property in the PRC and the United States. As of December 31, 2019, Landsea Green Properties had developed more than 90 property projects at various stages of development in different cities in the PRC, including Shanghai, Shenzhen, Tianjin, Nanjing, Hangzhou, Suzhou, Wuhan, Chengdu, Wuxi, Changzhou, Shaoxing, Ningbo, Zhangjiagang, Hefei, Wuhu, Changsha, Xi'an, Baoding, Yixing, Jiangyin, Suqian, Xuzhou, Ma'anshan and Jinan. Based on its 2019 annual report, Landsea Green Properties recognised aggregate sales revenue of approximately RMB11.65 billion and net profit of approximately RMB1.50 billion for the year ended December 31, 2019, and had project reserves with saleable area of approximately 6.9 million sq.m. as of December 31, 2019. The shares of Landsea Green Properties are currently listed on the Main Board of the Stock Exchange (stock code: 106). Mr. Lin is interested in 4% of the total number of issued shares of Landsea Green Properties.

As of the Latest Practicable Date, as part of his financial investment, Mr. Lin was only interested in approximately 7.15% and 4% of equity interest in each of Landsea Group and Landsea Green Properties, respectively. Although Landsea Group and Landsea Green Properties also engage in property development business in the PRC, they focus on the core industry of green technology property, which differs from the focus of our Group on providing 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 Directors are of the view that our Group is and will be capable of carrying on our business independent of and at arm's length from the potential competing interests of Mr. Lin in Landsea Group and Landsea Green Properties for the following reasons:

- i. the management and operational decisions of our Group are made by our executive Directors and senior management. As our non-executive Director, Mr. Lin is not and will not be involved in the daily management and operation of our Company. In addition, our independent non-executive Directors constitute three-eighths of our Board upon [REDACTED] and none of them has any relationship with our Controlling Shareholders or their respective associates. We believe that they will bring independent judgment to the decision-making process of our Board and possess relevant experience to allow the proper functioning of the Board; and
- ii. as of the Latest Practicable Date, Mr. Lin only acted as a passive investor of Landsea Group and Landsea Green Properties, and a director of Landsea Group, he had no control over and was not involved in the day-to-day management of Landsea Group

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or Landsea Green Properties. In case of conflict of interest between our Group and Landsea Group and/or Landsea Green Properties, Mr. Lin will exercise his duties in accordance with relevant constitutional documents, applicable laws and regulations and corporate governance measures adopted by our Group as set out in the paragraph headed “— Corporate Governance Measures” below. Mr. Lin has also entered into the Deed of Non-Competition to make certain non-competition undertakings in favor of our Company (for itself and as trustee for the benefit of its subsidiaries). For details, please see the paragraph headed “— Deed of Non-Competition” below.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders or our Directors, or their respective close associates, was engaged in or had any interest in a business, apart from business of our Group, which competes or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and its respective associates after the [REDACTED].

Management Independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Please see the section headed “Directors, Senior Management and Employees” in this document for further details.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

The daily operation of our Group is carried out by an independent experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis. Although Ms. Zhu (our executive Director, president and the chairman of our Board) is also a director of YongHeng Holdings, given that YongHeng Holdings was incorporated as part of the Reorganization for investment holding purpose only, we believe that Ms. Zhu will be able to devote most of her time and attention to the strategic planning and business development of our Group.

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As of the Latest Practicable Date, Ms. Zhu was the legal representative and a director of Sunkwan Enterprise, while Mr. Lin (our non-executive Director) was a director of Sunkwan Enterprise. In case of conflict of interests between our Group and Sunkwan Enterprise, Ms. Zhu and Mr. Lin will exercise their duties in accordance with relevant constitutional documents and applicable laws and regulations.

Save as disclosed above, none of our executive Directors and senior management holds any directorship or senior management position in our Controlling Shareholders or their close associates and they are our full-time employees.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

We have established our own organizational structure with independent departments, each with specific areas of responsibility. We maintain a set of comprehensive internal control procedures to facilitate the effective operations of our business. Our operational functions are run independently from our Controlling Shareholders and their respective close associates.

We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, recruiting firms and internal referrals.

In addition, save for the continuing connected transactions set out in the section headed “Connected Transactions”, which will continue following the completion of the [REDACTED], our Directors do not expect that there will be any other transactions between our Company and our Controlling Shareholders or their respective close associates upon completion of the [REDACTED]. The continuing connected transactions between Sunkwan Property Management Group and our Group involve only the provision of sales management services and property management services. It is expected that in the event that Sunkwan Property Management Group does not provide such services to our Group or we cease to engage Sunkwan Property Management Group as the services provider, there will be other comparable services providers readily available in the market for the provision of such services to our Group. In addition, none of our Controlling Shareholders, Directors or their respective

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close associates has been our major supplier or customer which provides any critical services or materials for our operation. Thus, the existence of the above continuing connected transactions will not affect our operational independence from our Controlling Shareholders and their respective close associates after [REDACTED].

Based on the above, our Directors are satisfied that we had been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

As of April 30, 2020, we had a total borrowing amounting to approximately RMB2,753.4 million guaranteed or pledged by our Controlling Shareholders. Please see Note 39 to the Accountants’ Report, the text of which is set out in Appendix I to this document for details. Our Directors confirm that such guarantees or pledges provided to and by our Controlling Shareholders will be released before [REDACTED].

As of April 30, 2020, we had (i) amounts due from our Controlling Shareholders and their respective close associates amounting to approximately RMB7.0 million, and (ii) the amounts due to our Controlling Shareholders and their respective close associates amounting to approximately RMB603.1 million. All amounts due from and/or to our Controlling Shareholders and their respective close associates not arising out of the ordinary course of business between our Group and our Controlling Shareholders and their respective close associates will be fully repaid or settled prior to [REDACTED]. Please see Note 39 to the Accountants’ Report, the text of which is set out in Appendix I to this document for details.

Save as disclosed above, as of the Latest Practicable Date, there were no other loans, advances or balances due to and from our Controlling Shareholders and their respective close associates which have not yet been fully settled.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment, independent access to third party financing and we make financial decisions according to our own business needs. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-competition dated [●], 2020 in favor of our Company (for itself and as trustee for the benefit of its subsidiaries), pursuant to which each of our Controlling Shareholders has jointly and severally, unconditionally and irrevocably undertaken that he/she/it will not and will procure his/her/its close associates (except members of our Group) not to, directly or indirectly, whether as principal or agent, either on his/her/its own account

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or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which competes or is likely to compete, directly or indirectly, with the business of our Group from time to time (the “**Restricted Business**”) during the effective period of the Deed of Non-competition.

Each of our Controlling Shareholders has also jointly and severally, unconditionally and irrevocably undertaken to our Company that during the effective period of the Deed of Non-competition, if there is any new business opportunity in the Restricted Business, he/she/it shall within a reasonable period of time refer such new business opportunities to our Company on a pre-emptive basis. Each of our Controlling Shareholders shall not carry on, participate, be engaged in and/or operate in such business opportunities (whether individually or jointly with another person and whether directly or indirectly or on behalf or to assist any other person) unless our Company has declined in writing or failed to respond within thirty (30) days after being notified of such opportunities and the decision of whether or not to take up the new business opportunity in Restricted Business will be made by our independent non-executive Directors by majority vote.

In addition, each of our Controlling Shareholders has also undertaken to our Company that at any time during the effective period of the Deed of Non-competition, each of our Controlling Shareholders shall not dispose of any interest he/she/it holds in the Restricted Business without first offering us the right to acquire such business or interest, subject to the pre-emptive rights under relevant law of any other existing shareholders of the relevant company that is engaged in the Restricted Business.

Each of our Controlling Shareholders shall procure his/her/its close associates (except members of our Group) to comply with the above undertakings to ensure that the option is first granted to us.

The above undertaking does not apply where:

- the Controlling Shareholder holds any equity interests in any company other than members of our Group, and the conditions below must also be satisfied:
 - according to the latest audited accounts of the relevant company, the Restricted Business in which such company is engaged (and its related assets) accounts for less than 10% of the combined sales or combined assets of such company; or
 - the total number of shares held by the Controlling Shareholders and/or their respective close associates account for no more than 10% of the shares of the same class issued by the relevant company that is engaged in the Restricted Business (except for the existing equity interest in Landsea Group indirectly

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held by Mr. Lin), and the Controlling Shareholders and/or their respective close associates (except members of our Group) have no right to appoint most of the directors of such company.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect upon the earlier of the date that: (i) our Shares ceasing to be [REDACTED] on the Stock Exchange; or (ii) so far as a Controlling Shareholder is concerned, he/she/it ceases to be a controlling shareholder of our Company under any applicable rules and regulations.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interest after [REDACTED]. In particular, we will implement the following measures:

- (a) our independent non-executive Directors will review, at least on an annual basis, the compliance by our Controlling Shareholders with the Deed of Non-competition, the compliance and enforcement of which will be disclosed in the annual reports of the Company;
- (b) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain from voting at the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our [REDACTED]. Details of our independent non-executive Directors are set out in “Directors, Senior Management and Employees — Directors — Independent Non-executive Directors”;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (e) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual report or by way of announcements; and
- (f) we have appointed Maxa Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

Further, any transaction that is proposed between our Company and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders’ approval requirements.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a number of continuing transactions with our connected persons in our ordinary and usual course of business. The transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon [REDACTED].

CONNECTED PERSONS

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executives of our Company or those of our subsidiaries (other than the directors, substantial shareholders and chief executives of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the [REDACTED] and any of their respective associates are connected persons of our Company upon [REDACTED].

The following persons will be our connected persons upon [REDACTED]:

- Ms. Zhu, an executive Director and a [REDACTED], hence our connected person;
- Mr. Lin, a non-executive Director and a [REDACTED], hence our connected person;
- Sunkwan Property Management, a limited liability company established in the PRC, with each of Ms. Zhu and Mr. Lin indirectly controlling the exercise of 30% or more of the voting power at the general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of each of Ms. Zhu and Mr. Lin and our connected person; and
- each entity being a subsidiary of Sunkwan Property Management (as defined under Chapter 14A of the Listing Rules) (the “**Sunkwan Property Management Group**”), hence our connected persons.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below details of the continuing connected transactions which are exempt from the independent shareholders’ approval requirement but subject to the reporting, annual review and announcement requirements under Rule 14A.76(2) of the Listing Rules.

CONNECTED TRANSACTIONS

1. Property Management Services Framework Agreement

Principal terms

We, as service recipients, entered into a property management services framework agreement (the “**Property Management Services Framework Agreement**”) with Sunkwan Property Management (for itself and on behalf of its subsidiaries), pursuant to which Sunkwan Property Management Group agreed to provide property management services, including (i) pre-delivery services prior to the delivery of residential properties to property owners, such as security, car park management, cleaning, gardening, repair, maintenance and operation of common area and shared facilities, (ii) housing inspection services on residential properties prior to the delivery to property owners and (iii) management and maintenance services for unsold property units and car park spaces (the “**Property Management Services**”), to certain of our residential property projects. The term of the Property Management Services Framework Agreement is from [●] to December 31, 2022.

Reasons for and benefits of the transactions

Prior to the commencement of pre-sale, a real estate developer usually seeks to engage a property management company by entering into property management services agreement for the purpose of ensuring the availability of property management services before the property owners’ association could be lawfully established and the real estate developer will enter into contract with the property management company directly.

Taking into account various factors such as qualifications of the service provider, quotation of management fees and service quality, we had engaged Sunkwan Property Management Group for the provision of Property Management Services for most of our property projects, by way of public tender in accordance with the relevant property management laws and regulations (if required), or by way of quotation and comparison of prices as of the Latest Practicable Date. Our Directors expect that we will continue to adopt the same selection mechanism for the engagement of Property Management Services providers after [REDACTED].

Notwithstanding the above, in light of the number of other independent Property Management Services providers readily available in the market, it is expected that in the event that Sunkwan Property Management Group ceases to provide such Property Management Services to us, we are able to engage other comparable Property Management Services providers for the provision of such services to our Group. As such, our Directors (including our independent non-executive Directors) are of the view that there will be no negative impact from the perspective of our operational independence from our Controlling Shareholders in case if Sunkwan Property Management Group ceases to provide Property Management Services to our Group. For further details, please see “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence.”

CONNECTED TRANSACTIONS

Pricing terms and selection mechanism

It is envisaged that from time to time and as required, individual services agreements may be entered into between our Group and Sunkwan Property Management Group. Each individual service agreement will set out the relevant Property Management Services to be provided by Sunkwan Property Management Group, the services fee to be paid by our Group and any detailed specifications which may be relevant to those engagements. The individual services agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Property Management Services Framework Agreement. As the individual services agreements are simply further elaborations on the engagements contemplated by the Property Management Services Framework Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

For management and maintenance services for unsold property units and car park spaces, we pay a pre-determined property management fee on a monthly basis to the property service providers selected through standard public tender procedures in accordance with the relevant property management laws and regulations. The service fees payable by our Group shall be based on the fee quotes submitted by Sunkwan Property Management Group under the relevant tender process. The selected service providers also provide pre-delivery services for the purpose of the delivery of residential properties to property owners.

For housing inspection services, our Company compares the fee quotes submitted by Sunkwan Property Management Group with the available market prices of comparable housing inspection services provided by different independent service providers for at least two property projects of similar size. Sunkwan Property Management Group is engaged as the service provider only if the price and quality of the housing inspection services it offers are comparable to or more favorable to our Group than those offered by other independent service providers. The Company shall ensure that no preferential treatment is provided to Sunkwan Property Management Group in terms of the selection of housing inspection service provider.

The service fees payable to Sunkwan Property Management Group by our Group pursuant to the Property Management Framework Agreement comprises the aggregate of (i) pre-delivery service fees, (ii) housing inspection fees and (iii) management and maintenance fees for unsold property units and car park spaces.

(i) Pre-delivery service fees

Pre-delivery service fees are one-off fees, which are subject to an amount to be determined after arm's length negotiations with reference to the GFA of the properties under the management, the labor and administration costs to be incurred by the service providers.

CONNECTED TRANSACTIONS

(ii) Housing inspection fees

Housing inspection fees to residential properties prior to delivery to property owners are be charged based on a variety of factors, such as labor costs expected to be incurred in the provision of housing inspection services, the fees for the same or comparable services offered by independent service providers and the GFA of property projects.

(iii) Management and maintenance fees for unsold property units and car park spaces

Management and maintenance fees for unsold property units and car park spaces are charged based on the GFA of the unsold property units and the number of unsold car park spaces. The rate charged for such management and maintenance fee is the same as the rate to be charged to other independent property owners as stipulated in the property management contract.

Based on the established cooperation relationship between Sunkwan Property Management Group and our Group up to the Latest Practicable Date, Sunkwan Property Management Group had a track record of providing reliable, efficient and satisfactory Property Management Services to us. As compared to other service providers who are independent third parties, it generally maintains better and more efficient communication with our Group and more thorough understanding of the conditions of our property projects and our requirements of services needed.

During the Track Record Period, we selected Property Management Services providers through tender process. Upon [REDACTED], we will adopt the aforesaid selection mechanism for Property Management Services providers, such as through tender process and comparing the fee quotes. The adoption of these selection mechanisms aims to ensure that the prices and terms of Property Management Services offered by Sunkwan Property Management Group are fair and reasonable and no less favorable than those offered by independent service providers. As such, our Directors are of the view that the transactions were and will be conducted in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical transaction amounts

The following table sets out the historical figures of the total management services fees incurred by us in relation to the provision of Property Management Services by Sunkwan Property Management Group during the Track Record Period:

	Historical Transaction Amount			
	Year Ended December 31,			Four Months Ended April 30,
	2017	2018	2019	2020
	(RMB)			
Pre-delivery service fees	150,120	773,319	3,078,188	—
Housing inspection fees	—	—	—	—
Management and maintenance fees for unsold property units and car park spaces	—	—	134,732	630,374
Total	<u>150,120</u>	<u>773,319</u>	<u>3,212,920</u>	<u>630,374</u>

The increase in the historical amounts from 2017 to 2019 was primarily due to the increase in number of projects developed and completed by our Group, which resulted in the increase in demand for Property Management Services to our projects that were completed but not yet delivered to property owners and the GFA contracted for the Property Management Services. For property projects which we engaged Sunkwan Property Management Group as Property Management Services provider,

- (a) the GFA under management for pre-delivery services and management and maintenance services for unsold property units was approximately (i) 800 sq.m. and nil in 2017, (ii) 48,747 sq.m. and nil in 2018, and (iii) 252,437 sq.m. and 5,758 sq.m. in 2019, and (iv) nil and 783 sq.m. in the four months ended April 30, 2020, respectively; and
- (b) the number of unsold car park spaces for management and maintenance services was nil in 2017, nil in 2018, nil in 2019 and approximately 1,640 in the four months ended April 30, 2020.

We did not engage Sunkwan Property Management Group to provide any housing inspection services during the Track Record Period.

CONNECTED TRANSACTIONS

Proposed annual caps

The following table sets out the proposed annual caps for Property Management Services fees to be paid by us in relation to the provision of Property Management Services by Sunkwan Property Management Group for each of the three years ending December 31, 2022:

	Proposed Annual Cap		
	Year Ended December 31,		
	2020	2021	2022
	<i>(RMB in million)</i>		
Pre-delivery service fees	3.53	4.14	4.85
Housing inspection fees	2.48	2.42	2.41
Management and maintenance fees for unsold property units and car park spaces	1.60	1.79	2.14
Total	<u>7.61</u>	<u>8.35</u>	<u>9.40</u>

In arriving at the above annual caps, we have taken into account the estimated total amounts of Property Management Services fees payable by our Group in relation to (i) the GFA of property projects that are under development and which we had engaged Sunkwan Property Management Group as Property Management Services provider for the year ending December 31, 2020 as of the Latest Practicable Date; and (ii) the projected new property projects and unsold property units and car park spaces that we may engage Sunkwan Property Management Group for Property Management Services for the three years ending December 31, 2022.

The annual caps are determined with reference to our historical pre-delivery service fees and management and maintenance fees for unsold property units and car park spaces, the guidance rate set by the relevant local government authorities (where applicable), the estimated GFA of the relevant property projects and unsold property units, the estimated number of the relevant unsold car park spaces, the subsequent projected increase in demand for Property Management Services as a result of our expected growth in the GFA of property projects and unsold property units and the number of unsold car park spaces and on the assumptions that the labor costs in the PRC will increase steadily in the next three years and the estimated successful rate of securing the tenders of Property Management Services.

The increases in the relevant proposed annual caps are primarily due to the continued growth of (i) the GFA of new property projects, completed property projects and unsold property units and (ii) the number of unsold car park spaces in the coming three years estimated with reference to our planned development and delivery schedule of the property projects, for which we may engage Sunkwan Property Management Group as Property Management Services provider. The estimated GFA for the relevant pre-delivery services, housing

CONNECTED TRANSACTIONS

inspection services and management and maintenance services for unsold property units will be approximately (i) 467,000 sq.m., 620,000 sq.m. and 641,000 sq.m. in 2020, (ii) 517,000 sq.m., 604,000 sq.m. and 757,000 sq.m. in 2021, and (iii) 602,000 sq.m., 602,000 sq.m. and 848,000 sq.m. in 2022, respectively.

Implication under the Listing Rules

As our Directors currently expect the highest applicable percentage ratio (other than the profits ratio) of the proposed annual caps in respect of the services under the Property Management Services Framework Agreement to exceed 0.1% but below 5% on an annual basis, the services under the Property Management Services Framework Agreement and the proposed annual caps for each of the three years ending December 31, 2022 are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders’ approval requirement.

2. Sales Management Services Framework Agreement

Principal terms

We, as service recipients, entered into a sales management services framework agreement (the “**Sales Management Services Framework Agreement**”) with Sunkwan Property Management (for itself and on behalf of its subsidiaries), pursuant to which Sunkwan Property Management Group agreed to provide sales management services, including but not limited to reception services, cleaning, car park management, security, maintenance and utility services in showrooms, display units and sales offices (the “**Sales Management Services**”), to certain of our residential property projects. The term of the Sales Management Services Framework Agreement is from [●] to December 31, 2022.

Reasons for and benefits of the transactions

A real estate developer usually enters into sales management services agreements for the purpose of ensuring the provision of management services in showrooms, display units and sales offices in order to control the foot traffic in these areas.

Taking into account various factors such as qualification of the service provider, quotation of management fees and service quality, we had engaged Sunkwan Property Management Group for the provision of Sales Management Services for certain of our property projects after considering the available market prices of similar services provided by independent service providers during the Track Record Period. Our Directors expect that we will continue to adopt the same approach for the engagement of Sales Management Services providers after [REDACTED].

Notwithstanding the above, in light of the number of other independent Sales Management Services providers which is readily available in the market, it is expected that in the event that Sunkwan Property Management Group ceases to provide such Sales Management

CONNECTED TRANSACTIONS

Services to us, there will be other comparable providers readily available in the market for the provision of Sales Management Services to our Group. As such, our Directors (including our independent non-executive directors) are of the view that there will be no negative impact from the perspective of our operational independence from the Controlling Shareholder(s) in case if Sunkwan Property Management Group ceases to provide Sales Management Services to our Group. For further details, please see “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence.”

Pricing terms and selection mechanism

It is envisaged that from time to time and as required, individual services agreements may be entered into between our Group and Sunkwan Property Management Group. Each individual services agreement will set out the relevant sales management services to be provided by Sunkwan Property Management Group, the services fee to be paid by our Group and any detailed specifications which may be relevant to those engagements. The individual services agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Sales Management Services Framework Agreement. As the individual services agreements are simply further elaborations on the engagements contemplated by the Sales Management Services Framework Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

The Sales Management Services fees charged by Sunkwan Property Management Group are determined based on a variety of factors, such as the expenses and labor costs expected to be incurred, and the available market prices of similar services provided by independent service providers.

Our Company compares the fee quotes submitted by Sunkwan Property Management Group are available market prices of comparable Sales Management Services provided by different independent service providers for at least two property projects. Sunkwan Property Management Group is engaged as the service provider only if the price and quality of the Sales Management Services it offers are comparable to or more favorable to our Group than those offered by other independent service providers. The Company shall ensure that no preferential treatment is provided to Sunkwan Property Management Group in terms of the selection of Sales Management Services provider.

During the Track Record Period, we selected Sales Management Services providers and determined the commercial terms and fees of the Sales Management Services through arm’s length negotiations by the parties with reference to the prevailing market rates. Upon [REDACTED], we will adopt the aforesaid selection mechanism of comparing the fee quotes. The adoption of this selection mechanism aims to ensure that the prices and terms of Sales Management Services offered by Sunkwan Property Management Group are fair and reasonable and no less favorable than those offered by independent service providers. As such,

CONNECTED TRANSACTIONS

our Directors are of the view that the transactions were and will be conducted in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Historical transaction amounts

The following table sets out the historical figures of the total management services fees incurred by us in relation to the provision of Sales Management Services by Sunkwan Property Management Group during the Track Record Period:

Historical Transaction Amount			
Year Ended December 31,			Four Months Ended April 30,
2017	2018	2019	2020
(RMB)			
4,698,264	10,042,209	11,319,878	3,227,291

The increase in the historical amounts from 2017 to 2019 was primarily due to (i) the significant increase in the number of property projects under development and the commencement of new property sales of our Group, which resulted in an increase in demand for Sales Management Services at showrooms, display units and sales offices of our property projects, and (ii) the increase in labor costs in the PRC. The number of property projects for which we engaged Sunkwan Property Management Group for Sales Management Services was four in 2017, ten in 2018, twelve in 2019 and six in the four months ended April 30, 2020.

Proposed annual caps

The following table sets out the proposed annual caps for Sales Management Services fees to be paid by us in relation to the provision of Sales Management Services by Sunkwan Property Management Group for each of the three years ending December 31, 2022:

Proposed Annual Cap		
Year Ending December 31,		
2020	2021	2022
(RMB in million)		
10.3	13.8	18.4

CONNECTED TRANSACTIONS

In arriving at the above annual caps, we have taken into account the estimated total amounts of Sales Management Services fees payable by our Group in relation to the projected new property projects and completed property projects that we may engage Sunkwan Property Management Group for Sales Management Services for the three years ending December 31, 2022.

The annual caps are determined with reference to (i) the estimated number of new property projects and completed property projects, as well as the average property fees of each of our property projects, (ii) the expected length of pre-sales period of the relevant property projects, (iii) the assumption that the labor costs in the PRC will increase steadily in the coming three years, and (iv) the estimated human resources allocation to the relevant showrooms, display units and sales offices.

We estimate that the number of new property projects and completed property projects in 2020 will decrease as compared to that in 2019. As a result, the demand for Sales Management Services at showrooms, display units and sales offices, and hence the proposed annual caps, in 2020 will decrease accordingly. The increase in the proposed annual caps in 2021 and 2022 as compared to the historical transaction amounts during the Track Record Period was primarily due to the expected continued growth of the number of new property projects and completed property projects in 2021 and 2022, which will result in the increase in demand for such Sales Management Services. We expect the number of property projects for which we may engage Sunkwan Property Management Group for Sales Management Services will be approximately 13 in 2020. We expect that the number of property projects for which we may engage Sunkwan Property Management Group for Sales Management Services will also increase in line with the rate of increase in the proposed annual caps.

Implication under the Listing Rules

As our Directors currently expect the highest applicable percentage ratio (other than the profits ratio) of the proposed annual caps in respect of the services under the Sales Management Services Framework Agreement to exceed 0.1% but below 5% on an annual basis, the services under the Sales Management Services Framework Agreement and the proposed annual caps for each of the three years ending December 31, 2022 are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders’ approval requirement.

OUR DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described above have been and shall be entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps for the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS

The conflicted Directors Ms. Zhu and Mr. Lin shall not be counted in the quorum present and shall be required to abstain from voting at the Board meetings at which the above continuing connected transactions are discussed.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transactions described above have been and shall be entered into the ordinary and usual course of business of the Company, are on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPLICATIONS FOR WAIVER FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the transactions described in “— Non-exempt Continuing Connected Transactions” above, since both the Property Management Services Framework Agreement and the Sales Management Services Framework Agreement were entered into between our Group and Sunkwan Property Management Group and the transactions are similar in nature, the transactions contemplated under the two agreements will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules.

Accordingly, the annual caps in respect of transactions contemplated under the Property Management Services Framework Agreement and the Sales Management Services Framework Agreement are aggregated, and such aggregated amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) of the annual caps for the amounts payable by our Group to Sunkwan Property Management Group under the Property Management Services Framework Agreement and the Sales Management Services Framework Agreement calculated for the purpose of Chapter 14A of the Listing Rules, on an annual basis and as aggregated, is expected to be more than 0.1% but less than 5%, the transactions contemplated thereunder are exempt from the circular and independent shareholders’ approval requirements but subject to the annual reporting and announcement requirements as set out in Rules 14A.49 and 14A.35 of the Listing Rules and the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules.

As described above, we expect these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

CONNECTED TRANSACTIONS

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted to us,] a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rule 14A.35 of the Listing Rules in respect of the transactions described in “— Non-exempt Continuing Connected Transactions” above.

We will, however, comply at all times with the applicable provisions under 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those of the date of this document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the date of this document and immediately following the completion of the [REDACTED] (without taking into account the exercise of the [REDACTED]):

Authorized share capital

	<u>Shares</u>	<u>Total nominal value</u>
		<i>US\$</i>
As of the date of this document	[REDACTED]	[REDACTED]

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the [REDACTED]:

Issued share capital

<u>Shares</u>	<u>Description of Shares</u>	<u>Total nominal value</u>
		<i>US\$</i>
1,500,000,000	Shares in issue as of the date of this document	1,500
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	<u>Total</u>	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED]. The above does not take into account any shares which may be issued pursuant to the exercise of the [REDACTED], any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

MINIMUM PUBLIC [REDACTED]

At least [REDACTED] of the total issued share capital of our Company must at all times be held by the public. The [REDACTED] represent not less than [REDACTED] of the issued share capital of our Company upon [REDACTED].

SHARE INCENTIVE SCHEMES

We have conditionally adopted the [REDACTED] Share Option Scheme and the RSU Scheme. The principal terms of the [REDACTED] Share Option Scheme and the RSU Scheme are summarized in the section headed “Appendix V — Statutory and General Information — D. Share Incentive Schemes” in this document.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the sub-section headed “Summary of the Constitution of our Company and the Cayman Companies Law — 2. Articles of Association — Alteration of capital” in Appendix IV to this document.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the sub-section headed “Summary of the Constitution of our Company and the Cayman Companies Law — 2. Articles of Association — Variation of rights of existing shares or classes of shares” in Appendix IV to this document.

SHARE CAPITAL

Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the paragraph headed “Summary of the Constitution of the Company and the Cayman Companies Law” in Appendix IV to this document.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the [REDACTED]”, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see the section headed “Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on [●], 2020” in Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme), the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Nature of interest	Immediately prior to the [REDACTED]		Immediately after the [REDACTED] ⁽¹⁾	
		Number of Shares ⁽²⁾	Approximate percentage of interest in our Company	Number of Shares	Approximate percentage of interest in our Company
Ms. Zhu ⁽³⁾	Founder of a discretionary trust	750,075,000	50.00%	[REDACTED]	[REDACTED]
Mr. Chen ⁽⁴⁾	Interest of spouse	750,075,000	50.00%	[REDACTED]	[REDACTED]
Northern American Trust Company, LLC ⁽³⁾	Trustee of a trust	750,075,000	50.00%	[REDACTED]	[REDACTED]
FULVA Holding ⁽³⁾	Interest in a controlled corporation	750,075,000	50.00%	[REDACTED]	[REDACTED]
YongHeng Holdings	Beneficial interest	750,075,000	50.00%	[REDACTED]	[REDACTED]
Mr. Lin ⁽⁵⁾	Interest in controlled corporation	622,425,000	41.50%	[REDACTED]	[REDACTED]
Ginkgo-BVI	Beneficial interest	622,425,000	41.50%	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).
- (2) All interests stated are long positions.
- (3) 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 [REDACTED] Shares. The Fulva Family Trust is a discretionary trust established by Ms. Zhu (as the settlor) and the discretionary beneficiaries of which is Ms. Zhu and her family. Accordingly, each of Ms. Zhu, FULVA Holding and Northern American Trust Company, LLC is deemed to be interested in the number of [REDACTED] Shares held by YongHeng Holdings.
- (4) Mr. Chen is the spouse of Ms. Zhu. By virtue of the SFO, Mr. Chen is deemed to be interested in the Shares which are interested by Ms. Zhu.

SUBSTANTIAL SHAREHOLDERS

- (5) Mr. Lin 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.

Save as disclosed above and in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix V to this document, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of issued voting shares of any other member of the Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

GENERAL

The following table sets out certain information in respect of our Directors and members of our senior management:

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities
<i>Directors</i>					
ZHU Jing (朱靜)	43	Chief executive officer, chairman of our Board and executive Director	August 21, 2018	February 2010	Overseeing the overall management and business operation, coordinating board affairs, formulating strategies and operational plans, and making major business decisions of our Group
SHENG Jianjing (盛劍靜)	40	Assistant president and executive Director	March 24, 2020	March 2010	Overseeing day-to-day business operations and overall administration of our Group
YANG Zhandong (楊佔東)	42	Executive vice president and executive Director	March 24, 2020	May 2011	Overseeing the development and day-to-day management of our Group
LIN Jinfeng (林勁峰)	48	Non-executive Director	March 24, 2020	May 2018	Providing strategic advice and recommendations on the operations and management of our Group

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities
LIN Zhaohong (林朝虹)	47	Non-executive Director	March 24, 2020	May 2018	Providing strategic advice and recommendations on the operations and management of our Group
GUO Shaomu (郭少牧)	53	Independent non-executive Director	[●]	[●]	Providing independent advice on the operations and management of our Group
AU YEUNG Po Fung (歐陽寶豐)	52	Independent non-executive Director	[●]	[●]	Providing independent advice on the operations and management of our Group
ZHOU Zheren (周喆人)	42	Independent non-executive Director	[●]	[●]	Providing independent advice on the operations and management of our Group

Name	Age	Position(s)	Date of appointment	Date of joining our Group	Roles and responsibilities
Senior Management					
FENG Huiming (馮輝明)	49	Executive president	May 6, 2020	May 2020	Responsible for assisting the chairman in formulating the Group’s development strategies and overseeing the financial affairs of our Group
TONG Wenyan (佟文艷)	38	Vice president	March 24, 2020	November 2018	Responsible for brand development, sales and marketing management and customer relations of our Group

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position(s)	Date of appointment	Date of joining our Group	Roles and responsibilities
LIANG Jing (梁晶)	37	Assistant president	March 24, 2020	September 2017	Responsible for product development and commercial asset management of our Group
LU Shiyuan (陸石媛)	39	Assistant president and joint company secretary	March 24, 2020	February 2015	Responsible for the financial and capital management of our Group and company secretarial matters of our Company

DIRECTORS

The Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders’ meetings, reporting on the Board’s work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

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

Executive Directors

Ms. ZHU Jing (朱靜), aged 43, 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 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 is one of our Controlling Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Prior to founding our Group, Ms. Zhu 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 Stock Exchange (stock code: 832) from February 2003 to December 2009, with her last position being the vice president of the group. Ms. Zhu 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 was named one of the “Top 30 Real Estate Industry Influential Figures in China” by Bo’ao Real Estate Forum in 2019.

Ms. Zhu does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Ms. SHENG Jianjing (盛劍靜), aged 40, 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 completed her senior secondary education in secretary studies at Shanghai University in the PRC in July 2000.

Ms. Sheng does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Mr. YANG Zhandong (楊佔東), aged 42, 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. Mr. Yang does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Directors

Mr. LIN Jinfeng (林勁峰), aged 48, 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 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 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 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 obtained his bachelor’s degree in international economics and trade from Shenzhen University in the PRC in July 1994. Mr. Lin 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 is one of our Controlling Shareholders.

Mr. Lin was a director at Shenzhen Bainian Ouke Furniture Co., Ltd. (深圳百年歐克傢俱股份有限公司), whose business license was revoked on April 1, 2014, as no annual inspection was carried out by such company as required under the PRC laws. As confirmed by Mr. Lin that there is no fraudulent act or misfeasance on his part leading to the deregistration of such company, and as of the Latest Practicable Date, he is not aware of any outstanding liabilities, actual or potential claims made against him as a result of the deregistration of such company. Mr. Lin further confirms that he was not held liable for the revocation of such company’s business license and he did not bear any legal consequences such that he was prohibited from acting as the legal representative, director, supervisor or senior executive of any other PRC enterprises for a prescribed period of time.

Ms. LIN Zhaohong (林朝虹), aged 47, 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 Controlling Shareholders.

Ms. Lin does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-executive Directors

Mr. GUO Shaomu (郭少牧), aged 53, was appointed our independent non-executive Director on [●] 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 Stock Exchange (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 Stock Exchange (stock code: 1777), and Ganglong China Property Group Limited, a property developer listed on the Main Board of the Stock Exchange (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 52, was appointed our independent non-executive Director on [●] 2020. He is primarily responsible for providing independent advice on the operations and management of our Group to our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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:

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
March 2018 to October 2018	Beijing Huahong Group Co., Ltd. (北京華鴻集團)	Real estate development and property management	N/A	Group chief financial officer
August 2017 to January 2018	Sansheng Holdings (Group) Co. Ltd. (三盛控股(集團)有限公司)	Property development and investment	Stock Exchange (stock code: 2183)	Chief financial officer
	Fujian Sansheng Property Development Company Limited (福建三盛房地產開發有限公司)	Commerce, property development and industry investment	N/A	Vice president
July 2016 to September 2017	South China Assets Holding Limited (南華資產控股有限公司)	Commercial property development	Stock Exchange (stock code: 8155)	Chief financial officer
October 2014 to July 2015	Shenzhen Tianlai Tourism Property Group (深圳天萊文旅地產集團)	Commercial property development	N/A	Group vice president and vice president of finance

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
February 2014 to September 2014	Fosun Industrial Holdings Limited (復星地產控股有限公司) (a subsidiary of Fosun International Limited (復星國際有限公司))	Global real estate investment and management	Stock Exchange (stock code: 656)	Vice president and chief financial officer
October 2011 to December 2013	Sun Hung Kai Properties Limited (新鴻基地產發展有限公司)	Development of properties for sale and investment	Stock Exchange (stock code: 16)	Chief financial officer (Mainland operations)
November 2007 to October 2011	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司)	Commercial real estate development and investment, property management and hotel development	Stock Exchange (stock code: 1238)	Chief financial officer
From July 2006 to November 2007	Greenland Hong Kong Holdings Limited (綠地香港控股有限公司)	Property development and management, property and hotel investment	Main Board of the Stock Exchange (stock code: 337)	Group financial controller

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Period of Services</u>	<u>Name of Company</u>	<u>Principal Business</u>	<u>Place of Listing and Stock code</u>	<u>Position(s)</u>
From March 2005 to October 2005	Landsea Green Group Co., Ltd. (朗詩綠色地產有限公司) (currently known as Landsea Green Properties Co., Ltd.)	Real estate development and property investment	Main Board of the Stock Exchange (stock code: 106)	Certified accountant and company secretary
From December 1996 to May 1998	Fu Wah International Enterprises Group Ltd. (富華國際集團有限公司)	Commercial property development and management in the PRC	N/A	Financial controller

In addition, Mr. Au Yeung holds or had held directorships in the following listed companies:

<u>Period of Services</u>	<u>Name of Company</u>	<u>Principal Business</u>	<u>Place of Listing and Stock code</u>	<u>Position(s)</u>
June 2020 to present	Zhenro Services Group Limited (正榮服務集團有限公司)	Property management	Stock Exchange (stock code: 6958)	Independent non-executive director, chairman of the remuneration committee and member of the nomination committee
August 2019 to present	Sinic Holdings (Group) Company Limited (新力控股(集團)有限公司)	Property development and property leasing	Stock Exchange (stock code: 2103)	Independent non-executive director, chairman of the remuneration committee, member of the audit committee and the nomination committee

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
June 2019 to present	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司)	Property development, property management, property leasing and management consulting	Stock Exchange (stock code: 2772)	Independent non-executive director, chairman of the audit committee and member of the remuneration committee
June 2018 to present	eBroker Group Limited (電子交易集團有限公司)	Financial technology solution provider	GEM of the Stock Exchange (stock code: 8036)	Independent non-executive director, chairman of the audit committee and member of the remuneration committee
June 2018 to present	Redsun Properties Group Limited (弘陽地產集團有限公司)	Real estate development	Stock Exchange (stock code: 1996)	Independent non-executive director, member of the audit committee, the remuneration committee and the nomination committee
May 2018 to present	Shanshan Brand Management Co., Ltd. (杉杉品牌運營股份有限公司)	Design, marketing and sales of formal and casual business menswear	Stock Exchange (stock code: 1749)	Independent non-executive director, chairman of the audit committee

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Period of Services	Name of Company	Principal Business	Place of Listing and Stock code	Position(s)
July 2017 to February 2020	GR Properties Limited (國銳地產有限公司)	Property development and management	Stock Exchange (stock code: 108)	Independent non-executive director, member of the audit committee, the remuneration committee and the nomination committee
July 2016 to September 2019	China LNG Group Limited (中國天然氣有限公司)	Asset management and new energy development	Stock Exchange (stock code: 931)	Independent non-executive director, member of the audit committee, the remuneration committee and the nomination committee
May 2016 to September 2016	Kiu Hung International Holdings Limited (僑雄國際控股有限公司)	Toys, resources and leisure-related business	Stock Exchange (stock code: 381)	Independent non-executive director

Notwithstanding Mr. Au Yeung is currently holding directorships in six other companies listed on the Stock Exchange as disclosed above and he may be occupied by appointments of these listed companies during the financial results reporting seasons, our Directors are of the view that Mr. Au Yeung will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director given that: (i) his roles in other listed companies primarily requires him to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) he has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending 100% of their board meetings and board committee meetings as well as the general meetings that he was eligible to attend during their latest financial year, as disclosed in the annual reports of the relevant listed companies; (iii) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in other listed companies, which is expected to facilitate the proper discharge of his duties and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

responsibilities as an independent non-executive Director; and (iv) he has confirmed that he will allocate sufficient time to fulfill his duties as an independent non-executive Director despite his existing independent non-executive directorships in six other listed companies. To ensure that he is able to carry out his duties as an independent non-executive Director despite multiple directorships, we will also make appointments with Mr. Au Yeung in advance to reserve his time for our regular board meetings, board committee meetings and other matters to be transacted. Based on the foregoing and Mr. Au Yeung’s satisfactory attendance record in the other listed companies’ meetings, our Directors believe that Mr. Au Yeung’s positions outside our Company will not affect his functions and responsibilities for our Company.

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.

During the period between 1998 and 2001, Mr. Au Yeung was a director of Uniford Asia Limited, a company incorporated in Hong Kong and dissolved by striking off pursuant to Section 291 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as the company ceased operations on May 18, 2001. Mr. Au Yeung has confirmed that such company was not in operation and was solvent at the time of dissolution. Mr. Au Yeung has further confirmed that there was no fraudulent act or misfeasance on his part leading to the striking off of such company and he is not aware of any actual or potential claim that had been or will be made against him as a result of the striking off of such company.

Mr. ZHOU Zheren (周喆人), aged 42, was appointed our independent non-executive Director on [●] 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 Stock Exchange (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 Stock Exchange (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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

Save as disclosed above, each of our Directors had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company and none of our Directors had held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document. Please refer to the section headed “Statutory and General Information” in Appendix V to this document for further information about the Directors, including the particulars of their service contracts and remuneration, and details of interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

then served in various roles at Kaisa Group Holdings Ltd., an integrated real estate company listed on the Main Board of the Stock Exchange (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 Stock Exchange (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 Stock Exchange (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 Shanghai Sansheng Hongye Investment (Group) Company Limited (上海三盛宏業投資(集團)有限責任公司), 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. Mr. Feng has been qualified as a certified public accountant in the PRC since May 1998.

Mr. Feng does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Ms. TONG Wenyan (佟文艷), aged 38, 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 Stock Exchange (stock code: 884). She also served as a regional deputy sales manager in Shanghai at Tahoe Group Co., Ltd, a China-based real

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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.

Ms. Tong does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Mr. LIANG Jing (梁晶), aged 37, 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.

Mr. Liang does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

Ms. LU Shiyuan (陸石媛), aged 39, 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 upon [REDACTED]. 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 Sunkwan Qianrong 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.

Ms. Lu does not hold any current or past directorship in any listed companies in the last three years preceding the date of this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

JOINT COMPANY SECRETARIES

Mr. Lee Leong Yin (李亮賢), aged 31, was appointed a joint company secretary of our Company on March 24, 2020 and with effect upon [REDACTED]. He is primarily responsible for the overall company secretarial matters of our Group.

Mr. Lee is an assistant manager of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for providing listed and private companies in corporate secretarial works. Mr. Lee has over nine years of experience in the corporate secretarial field. He obtained a bachelor’s degree of business administration in corporate administration from The Open University of Hong Kong in August 2010. He is an associate member of The Hong Kong institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in November 2018.

Ms. Lu Shiyuan (陸石媛), is a joint company secretary of our Company. For biographical details of Ms. Lu, please see “— Senior Management.”

BOARD COMMITTEES

Audit Committee

The Company established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review, supervise and approve our financial reporting process and internal control system and to provide advice and comments to our Board.

Members of the audit committee are Mr. Au Yeung Po Fung, Mr. Guo Shaomu and Mr. Zhou Zheren. Mr. Au Yeung Po Fung is the chairman of the audit committee.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code in Appendix 14 to Listing Rules. The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by our remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

Members of the remuneration committee are Mr. Guo Shaomu, Mr. Zhou Zheren and Ms. Sheng Jianjing. Mr. Guo Shaomu is the chairman of the remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee are to consider and recommend to our Board suitable and qualified candidates of Directors and to review the structure, size and composition of our Board and the board diversity policy adopted by our Company on a regular basis.

Members of the nomination committee are Ms. Zhu Jing, Mr. Guo Shaomu and Mr. Zhou Zheren. Ms. Zhu Jing is the chairman of the nomination committee.

BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service with our Company.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of real estate, property development, accounting, legal matters and financial industries. They obtained academic degrees in various majors, including business administration, accounting, electrical engineering and architectural engineering. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 40 years old to 53 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. In particular, two of our executive Directors are female and one of our non-executive directors is also female. Going forward, our Company will take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of our Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Our Nomination Committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, [and the Stock Exchange has granted,] a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong” in this document.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020 was approximately RMB3.1 million, RMB4.3 million, RMB7.9 million and RMB3.6 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to the five highest paid individuals of our Company, including Directors, for the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020 was approximately RMB4.6 million, RMB7.8 million, RMB15.5 million and RMB5.6 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2020 is estimated to be approximately RMB8.3 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020 by our Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the [REDACTED], will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

We have appointed Maxa Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon [REDACTED] of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or [REDACTED] volume of the Shares of our Company.

The term of the appointment shall commence on the [REDACTED] and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the [REDACTED]. This appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

In addition to being our president and executive Director, Ms. Zhu will continue to assume the responsibilities as the chairman of our Board upon [REDACTED]. Code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Board believes that vesting the roles of chairman and chief executive in Ms. Zhu is beneficial to the management of our Group and will improve the efficiency of our decision making and execution process given her knowledge of our Group’s affairs. Further, our Group has put in place an appropriate check-and-balance mechanism through our Board and our independent non-executive Directors. In light of the above, our Board considers that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of our Group.

SHARE INCENTIVE SCHEMES

In order to incentivize our Directors, senior management and employees for their contribution to our Group and to attract and retain skilled and experienced personnel to enhance the development of our Group, we have conditionally adopted the [REDACTED] Share Option Scheme and the RSU Scheme. The principal terms of the [REDACTED] Share Option Scheme and the RSU Scheme are summarized in the section headed “Appendix V — Statutory and General Information — D. Share Incentive Schemes” in this document.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

[REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] of the [REDACTED] for the following purposes assuming the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]).

- Approximately [REDACTED], or HK\$[REDACTED] million, will be used within one year after [REDACTED] as the construction costs for the development of our current property projects, namely Ningbo • Cixi Gracious Mansion, Changzhou • Mindcloud Peakview and Foshan • Sunkwan Lakeview Seasons.

The following table sets forth the breakdown of the [REDACTED] to be used for each of the three projects and as percentage of the total [REDACTED] of the [REDACTED] and details of such projects:

Property Project	Amount of [REDACTED] of the [REDACTED] to be Used in the Project <i>(in HK\$ millions, except for percentages)</i>		Estimated Construction Completion Date	Under Development			Construction Work Commencement Permits Obtained Date	
				Estimated Pre-sale Commencement Date	Saleable GFA <i>(in sq.m.)</i>	Pre-sold GFA <i>(in sq.m.)</i>		
Total GFA Under Development <i>(in sq.m.)</i>								
Ningbo • Cixi Gracious Mansion	[REDACTED]	[REDACTED]	Oct. 2021	May 2020	43,178	—	61,923	Sep. 2019
Changzhou • Mindcloud								
Peakview	[REDACTED]	[REDACTED]	Aug. 2022	Sep. 2019	146,735	24,430	198,486	Jul. 2019
Foshan • Sunkwan Lakeview Seasons ..	[REDACTED]	[REDACTED]	Jul. 2021	May 2020	51,505	—	67,384	Dec. 2019
Total	[REDACTED]	[REDACTED]			241,418	24,430	327,793	

FUTURE PLANS AND USE OF PROCEEDS

See “Business — Our Strategies — Continue to further penetrate existing markets and expand into new regions by proactively executing our regional development strategy” and “Business — Our Property Projects” for further details of our projects;

- Approximately [REDACTED], or HK\$[REDACTED] million, will be used for repayment of two of our existing interest-bearing bank and other borrowings for our project development: (i) an one-and-half-years borrowing of RMB[REDACTED] million from Tianjin Trust Co., Ltd., an independent third party of our company, with a fixed interest rate of [REDACTED]% per annum and maturity date of January 25, 2021, and (ii) an one-and-half-years borrowing of RMB[REDACTED] million from JIC Trust Co., Ltd., an independent third party of our company, with a fixed interest rate of [REDACTED]% per annum and maturity date of August 20, 2021. We plan to repay the remaining balances of such loans when due by our cash on hand generated from our operating activities. See “Business — Our Strategies — Continue to increase operational efficiency and optimize cost structure”; and
- Approximately [REDACTED], or HK\$[REDACTED] million, will be used for general working capital purposes.

In the event that the [REDACTED] does not happen on or before the [REDACTED], we plan to fund our Ningbo • Cixi Gracious Mansion, Changzhou • Mindcloud Peakview and Foshan • Sunkwan Lakeview Seasons projects by our existing borrowings secured for the development of such property projects first and will then repay the borrowings by our pre-sale and sales proceeds from these projects. For our existing interest-bearing bank and other borrowings, we plan to repay the balances upon due by our cash on hand generated from our operating activities and other financing arrangements if the [REDACTED] does not proceed or is delayed.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] or the [REDACTED] is exercised.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this document) and assuming the [REDACTED] is not exercised, we will receive [REDACTED] of approximately HK\$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this document) and assuming the [REDACTED] is not exercised, the [REDACTED] we receive will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

FUTURE PLANS AND USE OF PROCEEDS

In the event that the [REDACTED] is exercised in full, we will receive additional [REDACTED] ranging from approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the low end of the proposed [REDACTED]) to HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the high end of the proposed [REDACTED]), after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

To the extent that our [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings. To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the [REDACTED] into demand deposits with licensed banks or financial institutions. We will make an appropriate announcement if there is any change to the above proposed [REDACTED].

We believe that equity financing could optimize our capital structure, maintain our net gearing ratio at a reasonable level, particularly given that the interest rate is expected to rise in China in the near future, and further enhance our business, management, public image and credibility. Concurrently with the [REDACTED] and our equity financing plans, we are also seeking opportunities in debt financing, and the goal is to have an optimized debt-to-equity ratio that will sustain our long-term growth. In this respect, the [REDACTED] would offer us an efficient fund-raising platform which will enable us to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansions, hence achieving an optimal balance of equity and debt capital while considering the cost and risk profiles of these capital.

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

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[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Commissions and Expenses

The [REDACTED] will receive a gross [REDACTED] commission equal to [●]% of the aggregate [REDACTED] in respect of all the [REDACTED] (excluding any [REDACTED] reallocated to and from the [REDACTED]). For unsubscribed [REDACTED] reallocated to the [REDACTED] (in such proportion as the [REDACTED] in its sole discretion considers appropriate), the [REDACTED] commission regarding such [REDACTED] shall be reallocated to the [REDACTED] (in such proportion as the [REDACTED] in its sole discretion considers appropriate).

[REDACTED]

UNDERWRITING

SOLE SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. For further details, please refer to the section headed “Statutory and general information — E. Other information — 3. Sole Sponsor” in Appendix V to this documents.

[REDACTED]

UNDERWRITING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

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STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

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[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

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 document 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

[REDACTED]

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-124], 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-96] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] 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.

APPENDIX I

ACCOUNTANTS’ REPORT

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

[date]

APPENDIX I

ACCOUNTANTS’ REPORT

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.

APPENDIX I

ACCOUNTANTS’ REPORT

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		<u>34,578</u>	<u>672,908</u>	<u>676,889</u>	<u>70,083</u>	<u>158,415</u>
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
		<u>34,578</u>	<u>672,908</u>	<u>676,889</u>	<u>70,083</u>	<u>158,415</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>34,578</u>	<u>672,908</u>	<u>676,889</u>	<u>70,083</u>	<u>158,415</u>
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
		<u>34,578</u>	<u>672,908</u>	<u>676,889</u>	<u>70,083</u>	<u>158,415</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December			30 April
	Notes	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

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	31 December			30 April
		2017	2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

APPENDIX I

ACCOUNTANTS’ REPORT

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)

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 31</i>	<i>Note 32(a)</i>	<i>Note 32(b)</i>	<i>Note 32(c)</i>	<i>Note 32(d)</i>			
As at 31 December 2018 and								
1 January 2019	15	—*	345,477*	—*	78,873*	189,726*	614,091	1,200,687
Profit and total comprehensive income for the year	—	—	—	—	—	219,532	219,532	457,357
Surrender of shares	(4)	—	—	—	—	—	(4)	(4)
Capital contribution by the non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	225,589
Capital contribution by the then equity holders of subsidiaries	—	—	51,021	—	—	—	51,021	—
Acquisition of a subsidiary (<i>note 34</i>)	—	—	—	—	—	—	—	45,340
Acquisition of non-controlling interests	—	—	—	(24,766)	—	—	(24,766)	(50,216)
Disposal of partial interests in a subsidiary without losing control	—	—	—	156	—	—	156	23,885
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
Profit and total comprehensive income for the period	—	—	—	—	—	20,974	20,974	137,441
As at 30 April 2020	11	—*	396,498*	(24,610)*	138,297*	370,808*	881,004	2,040,083

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Retained profits		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 31</i>	<i>Note 32(a)</i>	<i>Note 32(b)</i>	<i>Note 32(c)</i>	<i>Note 32(d)</i>			
As at 31 December 2018 and 1 January 2019	15	—	345,477	—	78,873	189,726	614,091	1,200,687
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	—	(17,608)	(17,608)	87,691
Capital contribution by the then equity holders of subsidiaries (unaudited)	—	—	12,924	—	—	—	12,924	—
Capital contribution by the non-controlling shareholders of a subsidiary (unaudited)	—	—	—	—	—	—	—	3,675
Disposal of partial interests in a subsidiary without losing control (unaudited)	—	—	—	156	—	—	156	23,885
As at 30 April 2019 (unaudited)	15	—	358,401	156	78,873	172,118	609,563	1,315,938
	<u>15</u>	<u>—</u>	<u>358,401</u>	<u>156</u>	<u>78,873</u>	<u>172,118</u>	<u>609,563</u>	<u>1,315,938</u>

* 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.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Four months ended 30 April	
	Notes	2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
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 recognized 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

APPENDIX I

ACCOUNTANTS’ REPORT

<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
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	<u>4,670</u>	<u>5,317</u>	<u>11,115</u>	<u>(8,777)</u>	<u>5,390</u>
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	<u>(398,988)</u>	<u>(370,132)</u>	<u>(1,092,979)</u>	<u>(206,169)</u>	<u>(222,666)</u>
Net cash flows (used in)/from operating activities	<u>(38,485)</u>	<u>(3,806,667)</u>	<u>2,007,987</u>	<u>1,088,457</u>	<u>1,106,733</u>

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
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		<u>(912,891)</u>	<u>230,918</u>	<u>(758,862)</u>	<u>238,230</u>	<u>27,661</u>

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ACCOUNTANTS’ REPORT

		Year ended 31 December			Four months ended 30 April	
	Notes	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)

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>262,329</u>	<u>(51,593)</u>	<u>618,830</u>	<u>676,287</u>	<u>511,885</u>
Cash and cash equivalents at beginning of year/period		<u>243,933</u>	<u>506,262</u>	<u>454,669</u>	<u>454,669</u>	<u>1,073,499</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>506,262</u>	<u>454,669</u>	<u>1,073,499</u>	<u>1,130,956</u>	<u>1,585,384</u>
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	<u>1,904</u>	<u>75,278</u>	<u>50,145</u>	<u>80,819</u>	<u>73,985</u>
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		<u>506,262</u>	<u>454,669</u>	<u>1,073,499</u>	<u>1,130,956</u>	<u>1,585,384</u>

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		31 December		30 April
	Note	2018	2019	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

APPENDIX I

ACCOUNTANTS’ REPORT

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 Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, 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 “[REDACTED] 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 Document. 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:

<u>Name of subsidiaries</u>	<u>Notes</u>	<u>Place and date of incorporation/ establishment and place of operations</u>	<u>Nominal value of registered share capital</u>	<u>Percentage of effective equity interest attributable to the Company</u>	<u>Principal activities</u>
<u>Directly held:</u>					
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
<u>Indirectly held:</u>					
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

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Name of subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital (‘000)	Percentage of effective equity interest attributable to the Company	Principal activities
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) (Note b) (“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

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Name of subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital (‘000)	Percentage of effective equity interest attributable to the Company	Principal activities
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
上海坤嫡資產管理有限公司 Shanghai Kunshang Asset Management Co., Ltd. (“Shanghai Kunshang”)**	(1)	PRC/Mainland China 12 November 2015	RMB500	100%	Property leasing

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Name of subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital (‘000)	Percentage of effective equity interest attributable to the Company	Principal activities
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

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Name of subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital (‘000)	Percentage of effective equity interest attributable to the Company	Principal activities
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

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Name of subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital (‘000)	Percentage of effective equity interest attributable to the Company	Principal activities
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
寧波悅遠置業有限公司 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

* 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.

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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%

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 purchase 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(特殊普通合伙)), respectively, which were certified public accounting firms registered in the PRC.

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- (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.

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- (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 Document, 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 [REDACTED] Business is ultimately controlled by Controlling Shareholders. Pursuant to the Reorganisation, the [REDACTED] 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 [REDACTED] Business with no change in management and the ultimate owner of the [REDACTED] 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 [REDACTED] 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.

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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	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 17	<i>Insurance Contract</i> ²
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ³
Amendments to IFRS 16	<i>Leases for covid-19 related rent concessions</i> ¹
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ³
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ³
Amendments to IAS 37	<i>Onerous Contract — Cost of Fulfilling a Contract</i> ³
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, IAS 41 and Illustrative Examples accompanying IFRS 16</i> 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.

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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,

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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.

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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

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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.

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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.

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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.

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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 recognizes 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.

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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.

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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.

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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.

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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.

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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).

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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 statement of 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.

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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.

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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.

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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.

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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
	<u>1,201,102</u>	<u>6,847,436</u>	<u>7,535,159</u>	<u>1,151,843</u>	<u>1,148,500</u>

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	<u>1,169,137</u>	<u>6,795,205</u>	<u>7,471,306</u>	<u>1,133,461</u>	<u>1,131,997</u>
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	<u>1,169,137</u>	<u>6,795,205</u>	<u>7,471,306</u>	<u>1,133,461</u>	<u>1,131,997</u>

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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.

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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
	<u>5,285</u>	<u>7,546</u>	<u>11,242</u>	<u>1,148</u>	<u>1,560</u>

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

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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)
	<u>220,063</u>	<u>281,311</u>	<u>261,734</u>	<u>70,549</u>	<u>75,454</u>

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	<u>3,144</u>	<u>4,266</u>	<u>7,919</u>	<u>2,459</u>	<u>3,563</u>

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

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(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

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Year ended 31 December 2019

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

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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

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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	—	—
	<u>2</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>

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
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(unaudited)	
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 (<i>note 19</i>)	(9,040)	(296,955)	(265,047)	2,629	13,688
Total tax charge for the year/period	<u>183,204</u>	<u>2,340,234</u>	<u>1,876,616</u>	<u>363,405</u>	<u>231,103</u>

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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	433,489	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.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>13,987</u>	<u>125</u>	<u>622</u>	<u>—</u>	<u>14,734</u>
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	<u>155,895</u>	<u>2,053</u>	<u>1,041</u>	<u>12,779</u>	<u>171,768</u>
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	<u>155,895</u>	<u>2,053</u>	<u>1,041</u>	<u>12,779</u>	<u>171,768</u>
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	<u>155,895</u>	<u>2,053</u>	<u>1,041</u>	<u>12,779</u>	<u>171,768</u>
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	<u>152,443</u>	<u>4,169</u>	<u>2,034</u>	<u>10,749</u>	<u>169,395</u>

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	Buildings	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>152,443</u>	<u>4,169</u>	<u>2,034</u>	<u>10,749</u>	<u>169,395</u>
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	<u>152,443</u>	<u>4,169</u>	<u>2,034</u>	<u>10,749</u>	<u>169,395</u>
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 (<i>note 6</i>)	(3,452)	(964)	(1,378)	(2,781)	(8,575)
At 31 December 2019, net of accumulated depreciation	<u>137,029</u>	<u>3,330</u>	<u>1,828</u>	<u>7,968</u>	<u>150,155</u>
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	<u>137,029</u>	<u>3,330</u>	<u>1,828</u>	<u>7,968</u>	<u>150,155</u>
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	<u>137,029</u>	<u>3,330</u>	<u>1,828</u>	<u>7,968</u>	<u>150,155</u>
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 (<i>note 6</i>)	(926)	(324)	(394)	(927)	(2,571)
At 30 April 2020, net of accumulated depreciation	<u>136,103</u>	<u>3,006</u>	<u>1,467</u>	<u>7,041</u>	<u>147,617</u>
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	<u>136,103</u>	<u>3,006</u>	<u>1,467</u>	<u>7,041</u>	<u>147,617</u>

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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.

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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
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Recurring fair value measurement for:			
Commercial properties			
Under construction	—	—	1,012,200
Completed	—	—	1,503,800
Held under leases	—	—	66,000
	—	—	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
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Recurring fair value measurement for:			
Commercial properties			
Under construction	—	—	1,062,000
Completed	—	—	1,620,500
Held under leases	—	—	59,600
	—	—	2,742,100

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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.

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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.

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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 1 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	31 December	31 December	30 April
	2017	2018	2019	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	<u>1,050</u>	<u>6,688</u>	<u>4,472</u>	<u>2,696</u>

(b) Lease liabilities

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

	31 December	31 December	31 December	30 April
	2017	2018	2019	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	<u>96,695</u>	<u>113,722</u>	<u>116,664</u>	<u>115,891</u>
Analysed into:				
Current portion	302	3,716	34,307	33,495
Non-current portion	<u>96,393</u>	<u>110,006</u>	<u>82,357</u>	<u>82,396</u>

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

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(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	<u>5,028</u>	<u>15,975</u>	<u>14,906</u>	<u>5,631</u>	<u>3,691</u>

(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
	<u>340,188</u>	<u>285,286</u>	<u>267,209</u>	<u>225,901</u>

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16. INTANGIBLE ASSETS

	31 December			30 April
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Software</u>				
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.

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(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

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Note (1): Suzhou Heduo had five shareholders holding its 20% equity interest. Pursuant to the articles of association of Suzhou Heduo, all shareholders’ resolutions of Suzhou Heduo shall be resolved by the five shareholders on an unanimous basis. In light of this requirement, Suzhou Heduo 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.

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- (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
杭州祥環資產管理有限公司 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

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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.

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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

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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 (<i>note 34</i>)	—	—	53,471	—	53,471
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	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 (<i>note 10</i>)	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 (<i>note 34</i>)	—	—	6,521	—	6,521
Deferred tax charged/(credited) to profit or loss during the year (<i>note 10</i>)	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 (<i>note 10</i>)	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.

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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.

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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)

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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)
	<u>18,837</u>	<u>28,906</u>	<u>46,661</u>	<u>35,165</u>

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
	<u>18,978</u>	<u>29,245</u>	<u>47,462</u>	<u>36,518</u>

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)	<u>137</u>	<u>198</u>	<u>462</u>	<u>552</u>
At the end of the year/period	<u>141</u>	<u>339</u>	<u>801</u>	<u>1,353</u>

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.

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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

	Current	Past due				Total
		Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	
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

	Current	Past due				Total
		Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	
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

	Current	Past due				Total
		Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	
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

	Current	Past due				Total
		Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	
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

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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)
	<u>2,699,235</u>	<u>2,978,468</u>	<u>3,056,757</u>	<u>3,194,212</u>

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	<u>1,621</u>	<u>2,575</u>	<u>2,503</u>	<u>2,556</u>

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	<u>39,864</u>	<u>24,121</u>	<u>52,438</u>	<u>55,266</u>

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.

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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	—
	<u>79,761</u>	<u>62,948</u>	<u>55,528</u>	<u>52,482</u>

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
	<u>506,262</u>	<u>454,669</u>	<u>1,073,499</u>	<u>1,585,384</u>

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 can only 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.

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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
	<u>828,640</u>	<u>1,544,080</u>	<u>3,484,305</u>	<u>3,433,016</u>

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
	<u>942,293</u>	<u>1,110,134</u>	<u>1,652,322</u>	<u>1,575,650</u>

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.

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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
	<u>202,087</u>	<u>1,139,898</u>	<u>1,109,077</u>	<u>1,121,735</u>

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	<u>7,752,566</u>	<u>5,021,651</u>	<u>8,329,464</u>	<u>9,179,494</u>

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.

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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
	(%)			(%)			(%)	
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
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
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
			2,325,787			3,034,834		
						1,572,078	9.00-15.80	2020-2021
						4,243,248		
								1,687,042
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
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
			2,871,020			4,424,079		
			5,196,807			7,458,913		
						2,523,009		3,089,987
						6,766,257		5,589,029

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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
	<u>4,057,429</u>	<u>3,535,713</u>	<u>2,245,671</u>	<u>1,227,000</u>
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
	<u>1,139,378</u>	<u>3,923,200</u>	<u>4,520,586</u>	<u>4,362,029</u>
	<u>5,196,807</u>	<u>7,458,913</u>	<u>6,766,257</u>	<u>5,589,029</u>

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:

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

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

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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 Xingkwan 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

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A summary of movements in the Company’s share capital is as follows:

	Number of shares in issue	Share capital <i>RMB’000</i>
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\$20,000,000 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.

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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)

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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

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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

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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)

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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
	<i>RMB’000</i>
Property, plant and equipment (<i>note 13</i>)	143,971
Investment properties (<i>note 14</i>)	987,587
Deferred tax assets (<i>note 19</i>)	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 (<i>note 19</i>)	(53,471)
Total identifiable net assets at fair value	590,780
Contingent consideration recognised in the business combination (<i>note 25</i>)	26,657
Satisfied by cash	617,437

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An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>RMB’000</i>
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 Xinchefu 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 held 25% equity interest 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 the subsidiary acquired (d) as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	<i>RMB’000</i>
Deferred tax assets (<i>note 19</i>)	7,309
Properties under development (<i>note 20</i>)	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 (<i>note 19</i>)	(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

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An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>RMB’000</i>
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.

	<i>RMB’000</i>
Net assets disposed of:	
Due from related companies	7,943
Cash and cash equivalents	64
	8,007
Loss on disposal of Sunkwan Feirong (<i>note 6</i>)	(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:

	<i>RMB’000</i>
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.

	<i>RMB’000</i>
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 (<i>note 6</i>)	3,275
Satisfied by cash	—

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An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Sunkwan Investment is as follows:

	<i>RMB’000</i>
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.

	<i>RMB’000</i>
Net assets disposed of:	
Cash and cash equivalents	5
Due to related companies	(3)
	2
Loss on disposal of Suzhou Kunsheng (<i>note 6</i>)	(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:

	<i>RMB’000</i>
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)

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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

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(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
	<u>2,150</u>	<u>9,703</u>	<u>10,781</u>	<u>4,262</u>	<u>2,688</u>

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:

	Notes	31 December			30 April
		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)	<u>2,606,941</u>	<u>3,611,166</u>	<u>7,570,272</u>	<u>6,567,753</u>
Guarantees given to banks in connection with facilities granted to related companies (note 39)	(2)	<u>48,000</u>	<u>373,640</u>	<u>1,805,439</u>	<u>2,609,569</u>

- (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.

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- (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, Suzhou 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 document, 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 document, 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 document 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 suffered by Changshu Gongzhu in proportion to the effective equity interests the Group have in Changshu Gongzhu 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

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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	RMB’000
			(unaudited)	
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
	<u>1,419,043</u>	<u>1,709,897</u>	<u>1,608,323</u>	<u>1,458,335</u>

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

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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 (<i>note (a)</i>) (“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 (<i>note (c)</i>) (“Changshu Gongzhu Property Co., Ltd.”)	Joint venture
上海上坤飛榮置業有限公司 (<i>note (b)</i>) (“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

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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.

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(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	RMB'000
				(unaudited)	
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	—	—	—
	<u>53,000</u>	<u>901,992</u>	<u>377,030</u>	<u>99,834</u>	<u>870,357</u>
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	562,759	558,313	—
	<u>53,357</u>	<u>52,040</u>	<u>583,902</u>	<u>568,984</u>	<u>333,643</u>
Advance to a shareholder	<u>420</u>	<u>79</u>	<u>—</u>	<u>—</u>	<u>—</u>
Repayment of an advance to a shareholder	<u>—</u>	<u>—</u>	<u>8,747</u>	<u>—</u>	<u>—</u>
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
	<u>6,012,201</u>	<u>5,766,828</u>	<u>5,905,001</u>	<u>1,244,405</u>	<u>461,017</u>
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
	<u>5,482,950</u>	<u>6,109,763</u>	<u>5,203,661</u>	<u>1,478,594</u>	<u>666,608</u>

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	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 (<i>note</i>)	4,848	10,816	15,491	2,902	4,411
Finance costs from a company controlled by the Controlling Shareholder (<i>note</i>)	—	2,732	2,421	1,160	370
Consulting services to joint ventures and associates (<i>note</i>)	—	6,078	22,018	3,889	7,815
Miscellaneous purchases from a company controlled by the Controlling Shareholder (<i>note</i>)	—	—	12,045	—	30,436
Construction services from a company controlled by the Controlling Shareholder (<i>note</i>)	—	—	—	—	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.

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- 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.

(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

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	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 [REDACTED]. 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	RMB'000
				(unaudited)	
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.

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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
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables (<i>note 22</i>)	18,837	—	18,837
Financial assets included in prepayments, other receivables and other assets	1,621,131	—	1,621,131
Due from related companies (<i>note 39</i>)	1,614,623	—	1,614,623
Due from a shareholder (<i>note 39</i>)	8,668	—	8,668
Financial assets at fair value through profit or loss (<i>note 25</i>)	—	79,761	79,761
Restricted cash (<i>note 26</i>)	320,474	—	320,474
Pledged deposits (<i>note 26</i>)	1,904	—	1,904
Cash and cash equivalents (<i>note 26</i>)	506,262	—	506,262
	<u>4,091,899</u>	<u>79,761</u>	<u>4,171,660</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB’000</i>
Trade and bills payables (<i>note 27</i>)	942,293
Due to related companies (<i>note 39</i>)	5,930
Financial liabilities included in other payables and accruals	119,517
Interest-bearing bank and other borrowings (<i>note 30</i>)	5,196,807
Lease liabilities	96,695
	<u>6,361,242</u>

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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
	<u>5,436,533</u>	<u>62,948</u>	<u>5,499,481</u>

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
	<u>10,505,108</u>

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
	<u>8,031,337</u>	<u>55,528</u>	<u>8,086,865</u>

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Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB’000</i>
Trade and bills payables (<i>note 27</i>)	1,652,322
Due to related companies (<i>note 39</i>)	631,642
Financial liabilities included in other payables and accruals	594,202
Interest-bearing bank and other borrowings (<i>note 30</i>)	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
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables (<i>note 22</i>)	35,165	—	35,165
Financial assets included in prepayments, other receivables and other assets	2,556,032	—	2,556,032
Due from related companies (<i>note 39</i>)	1,778,601	—	1,778,601
Financial assets at fair value through profit or loss (<i>note 25</i>)	—	52,482	52,482
Restricted cash (<i>note 26</i>)	1,773,647	—	1,773,647
Pledged deposits (<i>note 26</i>)	73,985	—	73,985
Cash and cash equivalents (<i>note 26</i>)	1,585,384	—	1,585,384
	7,802,814	52,482	7,855,296

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB’000</i>
Trade and bills payables (<i>note 27</i>)	1,575,650
Due to related companies (<i>note 39</i>)	1,173,746
Financial liabilities included in other payables and accruals	365,269
Interest-bearing bank and other borrowings (<i>note 30</i>)	5,589,029
Lease liabilities	115,891
	8,819,585

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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.

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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

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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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	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

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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.

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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
	<u>4,073,062</u>	<u>—</u>	<u>—</u>	<u>18,837</u>	<u>4,091,899</u>

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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
	<u>5,407,627</u>	<u>—</u>	<u>—</u>	<u>28,906</u>	<u>5,436,533</u>

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
	<u>7,984,676</u>	<u>—</u>	<u>—</u>	<u>46,661</u>	<u>8,031,337</u>

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	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
	<u>7,767,649</u>	<u>—</u>	<u>—</u>	<u>35,165</u>	<u>7,802,814</u>

* 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
	<u>1,067,740</u>	<u>1,441,324</u>	<u>1,181,936</u>	<u>3,217,986</u>	<u>6,908,986</u>

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ACCOUNTANTS’ REPORT

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
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
	<u>2,932,473</u>	<u>1,705,463</u>	<u>1,810,116</u>	<u>5,050,412</u>	<u>11,498,464</u>
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
	<u>2,878,166</u>	<u>924,521</u>	<u>4,399,264</u>	<u>2,819,837</u>	<u>11,021,788</u>
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
	<u>3,114,665</u>	<u>1,066,204</u>	<u>2,029,237</u>	<u>4,052,109</u>	<u>10,262,215</u>

(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.

APPENDIX I

ACCOUNTANTS’ REPORT

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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants’ Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I to this document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with “Financial Information” and the Accountants’ Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*” issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on our consolidated net tangible assets attributable to the owners of the Company as of 30 April 2020 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of 30 April 2020 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of 30 April 2020 as set out in the Accountants’ Report as set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company does not form part of the Accountants’ Report as set out in Appendix I to this document.

	Unaudited consolidated net tangible assets attributable to owners of the Company as of 30 April 2020 RMB’000 (Note 1)	Estimated [REDACTED] from the [REDACTED] RMB’000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets RMB’000	Adjusted consolidated net tangible assets attributable to owners of the Company per Share RMB HK\$ (Note 3) (Note 4)	
Based on an [REDACTED] of HK\$[REDACTED] per Share	[878,581]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[878,581]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[878,581]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of the Company as of 30 April 2020 is extracted from the Accountants’ Report, which is based on the unaudited consolidated equity attributable to owners of the Company as of 30 April 2020 of approximately RMB881.0 million after deducting intangible assets of RMB2.4 million.
- (2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] per Share, HK\$[REDACTED] per Share or HK\$[REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by the Group and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or the options which may be granted under the [REDACTED] Share Option Scheme. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.0 to RMB[0.87896].
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on [REDACTED] Shares to be issued immediately following the completion of the [REDACTED] and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED] or the options which may be granted under the [REDACTED] Share Option Scheme.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB[0.87896].

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

PROPERTY VALUATION REPORT

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2020 of the selected property interests held by Sunkwan Properties Group Limited.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

[Date]

The Board of Directors
Sunkwan Properties Group Limited
8/F, Tower 5
No. 1399 Xinzhen Road
Minhang District
Shanghai
PRC

Dear Sirs,

In accordance with your instructions to value the selected property interests held by Sunkwan Properties Group Limited (the “**Company**”) and its subsidiaries, joint ventures and associated companies (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 July 2020 (the “**valuation date**”).

The selected property interests form part of property activities that each property has a carrying amount of 1% or more of the Group’s total assets and therefore the valuation report of these property interests are required to be included in this document.

For the purpose of this report, we classified these properties as the property interests relating to “property activities” which mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments.

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PROPERTY VALUATION REPORT

Furthermore, we have adopted the below guidance on what constitutes a property interest:—

- (a) one or more units in the same building or complex;
- (b) one or more properties located at the same address or lot number;
- (c) one or more properties comprising an integrated facility;
- (d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);
- (e) one or more properties held for investment within one complex;
- (f) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational/business purposes; or
- (g) a project or phases of development presented to the public as one whole project or forming a single operating entity.

Our valuation was carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interests in Group I which are held for sale by the Group, property interests in Group III which are held for future development by the Group and portions of the property interests in Group V which are held for investment by the Group by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificates/Tables/Reports or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities or are in the process of application, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use

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PROPERTY VALUATION REPORT

Rights Certificates have been obtained, this also includes those property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates have not been issued.

We have valued portions of the property interests in Group V which are held for investment by the Group and the property interests in Group VI which are held and occupied by the Group by 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 capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In valuing portions of the property interests in Group V which are under construction and held for investment by the Group and property interests in Group II which are currently under development by the Group, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permit(s) has (have) been issued while the Construction Works Certified Report(s) or Certificate(s) of Completion of the building(s) have not been issued.

For the property interests in Group IV which are contracted to be acquired by the Group, the Group has entered into agreements with the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the valuation date, we have attributed no commercial value to the property interests.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

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In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal adviser — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period between November 2019 and December 2019 by about 10 technical staffs including Mr. Michael Yu, Mr. Arnold Gao, Ms. Joan Zhu, Mr. Stone Chen, Ms. Cynthia Su and etc. They are Chartered surveyors/China Certified Real Estate Appraisers/China Qualified Land Valuers/China Certified Public Valuers or have more than 2 years’ experience in the valuation of properties in the PRC.

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We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11th March 2020, has impacted many aspects of daily life and the global economy - with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, in the case of the those properties there is a shortage of market evidence for comparison purposes, to inform opinions of value. Our valuation of these properties is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that - in the current extraordinary circumstances - less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that you keep the valuations contained within this report under frequent review.

Furthermore, we are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11th March 2020 has caused much disruption to economic activities around the world. This disruption has increased the risk associated with the achievability of rental/income assumptions. It may also have a negative impact on investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

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PROPERTY VALUATION REPORT

SUMMARY OF VALUES

Abbreviation:

- Group I: Properties held for sale by the Group in the PRC
 Group II: Properties held under development by the Group in the PRC
 Group III: Properties held for future development by the Group in the PRC
 Group IV: Properties contracted to be acquired by the Group in the PRC
 Group V: Properties held for investment by the Group in the PRC
 Group VI: Properties held and occupied by the Group in the PRC
 “—” or N/A: Not applicable or not available

No.	Property	Market value in	Market value in	Market value in	Market value in	Market value in	Market value in	The total market	Interest	The Market
		existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	value in existing state as at the valuation date		value attributable to the Group as at the valuation date
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>		<i>RMB</i>
		Group I:	Group II:	Group III:	Group IV:	Group V:	Group VI:	Total:		
1.	Mindcloud Mountainview located at the junction of Jiajian Highway and Xincheng Road Jiading District Shanghai The PRC (上海•雲棲麓)	—	1,173,000,000	—	—	205,700,000	—	1,378,700,000	35.00%	482,550,000
2.	Portions of Future Land Flourish Jade located at Lane 500 Dongta Road Songjiang District Shanghai The PRC (上海•新城樾山璟里)	53,300,000	—	—	—	—	—	53,300,000	50.00%	26,650,000
3.	Portions of Future Land Flourish Moon located at Lane 168 Dongkun Road Songjiang District Shanghai The PRC (上海•新城樾山明月)	28,900,000	—	—	—	—	—	28,900,000	50.00%	14,450,000
4.	Portions of Future Land Flourish Peninsula located at Lane 1568 Chenglong Road Songjiang District Shanghai The PRC (上海•新城樾山半島)	15,700,000	—	—	—	—	—	15,700,000	50.00%	7,850,000

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
5.	Portions of Sunkwan Flourish Seasons located at Lane 1258 Chenglong Road Songjiang District Shanghai The PRC (上海•上坤樾山四季)	23,600,000	—	—	—	—	—	23,600,000	50.00%	11,800,000
6.	Portions of Sunkwan Flourish Villas located at Lane 728 Dongta Road Songjiang District Shanghai The PRC (上海•上坤樾山美墅)	71,000,000	—	—	—	—	—	71,000,000	50.00%	35,500,000
7.	Portions of Sunkwan Flourish Peninsula located at Lane 1500 Dongta Road Songjiang District Shanghai The PRC (上海•上坤樾山半島)	149,600,000	—	—	—	—	—	149,600,000	50.00%	74,800,000
8.	Flourish Project 06-08 located at the junction of Yangjiabing Road and Chenta Road Songjiang District Shanghai The PRC (上海•樾山項目06-08)	—	—	142,100,000	—	—	—	142,100,000	50.00%	71,050,000
9.	Flourish Project 08-06/08 located at the junction of Dongta Road and Tangzhuan Road Songjiang District Shanghai The PRC (上海•樾山項目08-06/08)	—	—	—	—	1,118,300,000	—	1,118,300,000	50.00%	559,150,000
10.	Sunkwan Red Commercial Plaza located at No. 939 Songfa Road Baoshan District Shanghai The PRC (上海•上坤紅街)	—	—	—	—	133,600,000	—	133,600,000	100.00%	133,600,000

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No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
11.	Portions of Sunkwan Upper Commercial Plaza located at Lane 299 Tangxi Street Baoshan District Shanghai The PRC (上海•上坤上街)	66,200,000	—	—	—	303,200,000	—	369,400,000	100.00%	369,400,000
12.	Sunkwan International Plaza Tower 3 located at Lane 399 No. 2 Xinlong Road Minhang District Shanghai The PRC (上海•上坤國際廣場T3)	—	—	—	—	545,300,000	—	545,300,000	100.00%	545,300,000
13.	Sunkwan International Plaza Tower 4 located at Lane 399 No. 1 Xinlong Road Minhang District Shanghai The PRC (上海•上坤國際廣場T4)	—	—	—	—	547,000,000	—	547,000,000	100.00%	547,000,000
14.	Sunkwan International Plaza Tower 5 located at No. 111 Haowen Road Minhang District Shanghai The PRC (上海•上坤國際廣場T5)	—	—	—	—	242,400,000	182,900,000	425,300,000	100.00%	425,300,000
15.	Sunkwan Center located at the western side of Xinzhen Road and the southern side of Shangkun Road Minhang District Shanghai The PRC (上海•上坤中心)	—	—	—	—	1,790,700,000	—	1,790,700,000	50.00%	895,350,000

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No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
16.	Portions of Cixi Cloud Mansion located at the southern side of West Xinxing Street Chongshou Town Ningbo City Zhejiang Province The PRC (寧波•慈溪雲邸華府)	124,900,000	—	—	—	—	—	124,900,000	33.33%	41,630,000
17.	Cixi Phoenix Mansion located at the junction of Cuiping Road and Hengpeng Highway Henghe Town Ningbo City Zhejiang Province The PRC (寧波•慈溪鳳鳴梧桐府)	—	848,300,000	—	—	—	—	848,300,000	30.00%	254,490,000
18.	Cixi Riverview Mansion located at the northern side of East Beisanhuan Road and the eastern side of North Xincheng Avenue Kandun Town Ningbo City Zhejiang Province The PRC (寧波•慈溪閩江府)	—	1,112,500,000	—	—	—	—	1,112,500,000	34.00%	378,250,000
19.	Cixi Joy Mansion located at the junction of Guangze Road and Dongchao Road Kandun Town Ningbo City Zhejiang Province The PRC (寧波•慈溪檀悅府)	—	739,800,000	—	—	—	—	739,800,000	28.00%	207,140,000
20.	Cixi Jade Mansion located at the junction of Huchong Highway and Beisanhuan Road Hushan Town Ningbo City Zhejiang Province The PRC (寧波•慈溪龍明府)	—	2,215,900,000	—	—	—	—	2,215,900,000	16.00%	354,540,000

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No.	Property	Market value in	Market value in	Market value in	Market value in	Market value in	Market value in	The total market	Interest	The Market
		existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	value in existing state as at the valuation date		value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
21.	Dongyang Metropolis located at the junction of Shimao Avenue and Kunxi Road Jinhua City Zhejiang Province The PRC (金華•東陽大都會)	—	1,004,600,000	—	—	—	—	1,004,600,000	51.00%	512,350,000
22.	Dongyang Metropolis Seasons located at the junction of No. 37 Highway and Nanhuan Road Jinhua City Zhejiang Province The PRC (金華•東陽都會四季)	—	884,300,000	—	—	—	—	884,300,000	38.25%	338,240,000
23.	Sunkwan Majestic Seasons located at the junction of Liping Avenue and Shunda Road Yuhang District Hangzhou City Zhejiang Province The PRC (杭州•上坤山語四季)	—	2,310,700,000	—	—	—	—	2,310,700,000	100.00%	2,310,700,000
24.	Joy Mountain located at the junction of Xingguo Road and Yinghe Road Yuhang District Hangzhou City Zhejiang Province The PRC (杭州•悅見山)	—	2,719,500,000	—	—	—	—	2,719,500,000	12.01%	326,480,000
25.	West Lakeside Seasons located at the western side of Guoding Road Ouhai District Wenzhou City Zhejiang Province The PRC (溫州•西湖四季)	—	776,600,000	—	—	—	—	776,600,000	50.00%	388,300,000

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No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
26.	Prosperous Seasons located at the eastern side of Cuiwei Avenue Ouhai District Wenzhou City Zhejiang Province The PRC (温州•潮歌四季)	—	1,022,600,000	—	—	—	—	1,022,600,000	50.00%	511,300,000
27.	Portions of Sunkwan Riverside Seasons located at No. 288 Zhongshan East Road Mudu Town Wuzhong District Suzhou City Jiangsu Province The PRC (蘇州•上坤水岸四季)	12,000,000	—	—	—	—	—	12,000,000	70.00%	8,400,000
28.	Jade Seasons located at No. 2 Fenghuangfeng Road Gaoxin District Suzhou City Jiangsu Province The PRC (蘇州•翡翠四季)	—	1,206,500,000	—	—	—	—	1,206,500,000	24.50%	295,590,000
29.	Portions of Mindcloud Mountainview located at No. 2 Keguang Road Gaoxin District Suzhou City Jiangsu Province The PRC (蘇州•雲棲麓)	1,862,100,000	—	—	—	—	—	1,862,100,000	20.00%	372,420,000
30.	Portions of Changshu Hyde Mansion located at the western side of Renmin Road and the northern side of Fuqian Road Haiyu Town Suzhou City Jiangsu Province The PRC (蘇州•常熟海德名築)	75,800,000	—	—	—	—	—	75,800,000	33.00%	25,010,000

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No.	Property	Market value in	Market value in	Market value in	Market value in	Market value in	Market value in	The total market	Interest	The Market
		existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	existing state as at the valuation date	value in existing state as at the valuation date		value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
31.	Mindcloud Peakview located at the eastern side of Leshan Road, the southern side of Honghe Road, the western side of Renhe Road and the northern side of Yunhe Road Xinqiao Town Changzhou City Jiangsu Province The PRC (常州•雲峯)	—	1,731,300,000	—	—	—	—	1,731,300,000	40.00%	692,520,000
32.	Sunkwan Riverside Seasons located at the southern side of Zhimin Avenue and the eastern side of Chuxi South Road Xinzhou District Shangrao City Jiangxi Province The PRC (上饒•上坤濱江四季)	—	1,278,700,000	—	—	—	—	1,278,700,000	100.00%	1,278,700,000
33.	Sunkwan Begonia Seasons located at the southern side of Fengtai Road and the eastern side of Fenghuai Road Luyang District Hefei City Anhui Province The PRC (合肥•上坤海棠四季)	—	1,183,500,000	—	—	—	—	1,183,500,000	100.00%	1,183,500,000
34.	Sunkwan Northlake Seasons located at the southern side of Jingling Huaqiao Avenue Beihu District Tianmen City Hubei Province The PRC (天門•上坤北湖四季)	—	481,100,000	—	—	—	—	481,100,000	100.00%	481,100,000

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No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
35.	Sky Platinum located at the junction of Guide Road and Huashang Avenue Suiyang District Shangqiu City Henan Province The PRC (商丘•天鉞)	—	831,300,000	—	—	—	—	831,300,000	50.00%	415,650,000
36.	Portions of Champagne Garden located at No. 18 Qiaoxin Road Qiaotou Town Dongguan City Guangdong Province The PRC (東莞•香樟花園)	871,100,000	91,700,000	—	—	—	—	962,800,000	25.00%	240,700,000
37.	Sunkwan Lakeview Seasons located at the western side of Jiansha Road Nanhai District Foshan City Guangdong Province The PRC (佛山•上坤翰湖四季)	—	616,100,000	—	—	—	—	616,100,000	100.00%	616,100,000
38.	Cixi Gracious Mansion located at the western side of Shangfang Road Hushan Town Ningbo City Zhejiang Province The PRC (寧波•慈溪慈瀾府)	—	497,400,000	—	—	—	—	497,400,000	25.00%	124,350,000
39.	Sunkwan Sumptuous Skyview located at the junction of Wuhan Avenue and Shahu Avenue Wuchang District Wuhan City Hubei Province The PRC (武漢•上坤博譚雲峯)	—	536,200,000	—	—	—	—	536,200,000	70.00%	375,340,000
40.	Sunkwan Mindcloud Timeview located at the junction of Qimen North Street and Qingyuan Road Xiangcheng District Suzhou City Jiangsu Province The PRC (蘇州•雲棲時光)	—	1,939,200,000	—	—	—	—	1,939,200,000	70%	1,357,440,000

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No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
41.	Mindcloud Imperial Garden located at the junction of Hefeng Gang and Linping Avenue Yuhang District Hangzhou City Zhejiang Province The PRC (杭州•雲棲宸園)	—	—	—	No commercial value	—	—	No commercial value	52.00%	No commercial value
42.	Lakeview Seasons located at the junction of Pingmei Zhi Road and Pingxi Road Wujiang District Suzhou City Jiangsu Province The PRC (蘇州•望湖四季)	—	480,000,000	—	—	—	—	480,000,000	35.00%	168,000,000
43.	Mindcloud Mansion located at the western side of North Mingsha Road Danzao Town Nanhai District Foshan City Guangdong Province The PRC (佛山•雲棲公館)	—	—	156,100,000	—	—	—	156,100,000	100.00%	156,100,000
44.	Sunkwan Jinping Mountain No. 1 located at the intersection of Changfeng Road and Longjiang Wenhua Road Shunde District Foshan City Guangdong Province The PRC (佛山•錦屏山壹號)	—	550,400,000	—	—	—	—	550,400,000	49.00%	269,700,000
45.	Shining Seasons located at the west of the junction of Changjiang Road and Pingyuan Road Suiyang District Shangqiu City Henan Province The PRC (商丘•光和四季)	—	230,600,000	—	—	—	—	230,600,000	63.00%	145,280,000

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No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date	Interest attributable to the Group	The Market value attributable to the Group as at the valuation date
		<i>RMB</i> Group I:	<i>RMB</i> Group II:	<i>RMB</i> Group III:	<i>RMB</i> Group IV:	<i>RMB</i> Group V:	<i>RMB</i> Group VI:	<i>RMB</i> Total:		<i>RMB</i>
46.	Bluesky Seasons located at the south of Fangyu Road, the east of Xueyuan Road, the north of Siyu Road, the west of Chunmiao Road Suiyang District Shangqiu City Henan Province The PRC (商丘 • 蔚來四季)	—	—	213,000,000	—	—	—	213,000,000	54.00%	115,020,000
	Total:							35,396,300,000		18,144,090,000

Note: For Property No. 41, as at the valuation date, the property had not been assigned to the Group and thus the title of the property had not been vested in the Group, the relevant land use rights certificates had not been obtained. Therefore, we have attributed no commercial value to the property.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
1.	Mindcloud Mountainview located at the junction of Jiajian Highway and Xincheng Road Jiading District Shanghai The PRC (上海•雲棲麓)	Mindcloud Mountainview (the “Project”) is located at the junction of Jiajian Highway and Xincheng Road. The locality is a newly developed residential area where public facilities such as municipal facilities and amenities are still under development. The Project occupies a parcel of land with a site area of approximately 24,287.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in January 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 71,930.45 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB370,400,000, of which approximately RMB175,000,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 9 May 2089 for residential use and 9 May 2059 for commercial use.	As at the valuation date, the property was under construction.	1,378,700,000 (35.00% interest attributable to the Group: RMB482,550,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Jia Gui Tu (2019) Chu Rang He Tong Di No. 6 dated 6 May 2019, the land use rights of the Project with a site area of approximately 24,286.80 sq.m. were contracted to be granted to Shanghai Jingda Property Co., Ltd. (上海京大置業有限公司, “Shanghai Jingda”, a 35%-owned associate of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB993,480,000.

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2. Pursuant to a Construction Land Planning Permit — Hu Jia Di (2019) No. EA31011420195699, permission towards the land planning of the Project with a site area of approximately 24,286.80 sq.m. has been granted to Shanghai Jingda.
3. Pursuant to a Real Estate Title Certificate (for land) — Hu (2019) Jia Zi Bu Dong Chan Quan Di No. 026522, the land use rights of the Project with a site area of approximately 24,287.00 sq.m. have been granted to Shanghai Jingda expiring on 9 May 2089 for residential use and 9 May 2059 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Hu Jia Jian (2019) No. FA31011420197447 in favour of Shanghai Jingda, the Project with a gross floor area of approximately 71,930.45 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 1902JD0131D01 in favour of Shanghai Jingda, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 71,930.45 sq.m.
6. Pursuant to a Pre-sale Permit – Jia Ding Fang Guan (2020) Yu Zi No. 0000131 in favour of Shanghai Jingda, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 39,720.03 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)	No. of car parking space
Group II — held under development by the Group	Residential	38,043.92	
	Resettlement housing	2,552.84	
	Ancillary	2,029.80	
	Basement (inclusive of car parking spaces)	20,464.87	469
	Sub-total:	63,091.43	469
Group V — held for investment by the Group	Rental Residential	7,339.02	
	Retail (Wet market)	1,500.00	
	Sub-total:	8,839.02	
	Total:	71,930.45	469

8. As advised by the Group, various residential units with a total gross floor area of approximately 11,466.50 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB474,091,670. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,863,000,000.
10. Our valuation has been made on the following basis and analysis:
 - a. For the portion of the property in Group II, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB35,000 to RMB45,000 per sq.m. for residential units and RMB90,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward

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- adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered;
- b. For the portion of the property in Group V, we have identified and analyzed various relevant rental evidences in the locality which have similar characteristics as the subject property such as nature, use and accessibility. The unit rents of these comparable retail units on the first floor range from RMB4.0 to RMB6.0 per sq.m. per day and the unit rents of these comparable rental residential units range from RMB3.0 to RMB4.0 per sq.m. per day; and
 - c. Based on our market research in the surrounding area of the property, for retail (wet market) portion, the stabilized market yield ranged from 5% to 6%, for rental residential portion, the stabilized market yield ranged from 3% to 5% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 5.5% for the retail portion and 3.5% for the rental residential portion as the capitalization rate in the valuation.
11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Shanghai Jingda is legally and validly in possession of the land use rights of the property. Shanghai Jingda has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Shanghai Jingda has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the property of which the Pre-sale Permits have been obtained, Shanghai Jingda has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
 12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	portion
g. Construction Work Completion and Inspection Certificate/Table/Report	No
 13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date
	(RMB)
Group II — held under development by the Group	1,173,000,000
Group V — held for investment by the Group	205,700,000
Total:	1,378,700,000

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
2.	Portions of Future Land Flourish Jade located at Lane 500 Dongta Road Songjiang District Shanghai The PRC (上海•新城樾山璟里)	Future Land Flourish Jade (the “Project”) is located at Lane 500 Dongta Road. The locality of the project is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 30,227.90 sq.m., which had been developed into a residential development. The Project was completed in 2017 and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 12,605.55 sq.m. The classification, usage and gross floor area details of the property were set out in note 9. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was vacant for sale.	53,300,000 (50.00% interest attributable to the Group: RMB26,650,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2013) No. EA31011720130395, permission towards the land planning of the Project with a site area of approximately 30,227.90 sq.m. (inclusive of the property) has been granted to Sheshan Country Club.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) No. 007397, the land use rights of the Project with a site area of approximately 30,227.90 sq.m. (inclusive of the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use.

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4. Pursuant to 2 Construction Work Planning Permits — Hu Song Jian (2016) Nos. FA31011720164417 and FA31011720164482 in favour of Sheshan Country Club, the Project with a total gross floor area of approximately 79,755.51 sq.m. (inclusive of the property) has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 1602SJ0035D01 and 1602SJ0035D02 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 79,755.51 sq.m. (inclusive of the property).
6. Pursuant to 4 Pre-sale Permits — Song Jiang Fang Guan (2016) Yu Zi Nos. 0000393 and 0000538, Song Jiang Fang Guan (2018) Di No. 20180199 and Song Jiang Fang Guan (2019) Di No. 20190047 in favour of Sheshan Country Club, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 77,522.19 sq.m.) to purchasers.
7. Pursuant to 2 Construction Work Completion and Inspection Certificates in favour of Sheshan Country Club, the construction of the Project with a total gross floor area of approximately 79,755.51 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
8. Pursuant to 3 Real Estate Title Certificates — Hu (2018) Song Zi Bu Dong Chan Quan Di Nos. 005964, 009634, and 014036, the ownership rights of the Project with a total gross floor area of approximately 77,379.23 sq.m. (inclusive of the property) are held by Sheshan Country Club.
9. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Residential	131.52	
	Car parking spaces	12,474.03	315
	Total:	12,605.55	315

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2020. The unit price of these comparable properties ranges from RMB44,000 to RMB49,000 per sq.m. for residential units and RMB120,000 to RMB160,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

APPENDIX III

PROPERTY VALUATION REPORT

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Yes
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

13. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
3.	Portions of Future Land Flourish Moon located at Lane 168 Dongkun Road Songjiang District Shanghai The PRC (上海•新城樾山明月)	Future Land Flourish Moon (the “Project”) is located at Lane 168 Dongkun Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 48,297.10 sq.m., which had been developed into a residential development. The Project was completed in 2018 and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 9,045.84 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was vacant for sale.	28,900,000 (50.00% interest attributable to the Group: RMB14,450,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2014) No. EA31011720140217, permission towards the land planning of the Project with a site area of approximately 48,297.10 sq.m. (inclusive of the property) has been granted to Sheshan Country Club.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) Di No. 007389, the land use rights of the Project with a site area of approximately 48,297.10 sq.m. (inclusive of the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use.

APPENDIX III

PROPERTY VALUATION REPORT

4. Pursuant to 2 Construction Work Planning Permits — Hu Song Jian (2016) Nos. FA31011720164977 and FA31011720164978 in favour of Sheshan Country Club, the Project with a total gross floor area of approximately 65,100.52 sq.m. (inclusive of the property) has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 1602SJ0035D08 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 65,100.52 sq.m. (inclusive of the property).
6. Pursuant to 2 Construction Work Completion and Inspection Certificates in favour of Sheshan Country Club, the construction of the Project with a total gross floor area of approximately 65,118.80 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
7. Pursuant to 3 Real Estate Title Certificates — Hu (2018) Song Zi Bu Dong Chan Quan Di Nos. 038514 and 038723 and Hu (2019) Song Zi Bu Dong Chan Quan Di No. 009394, the ownership rights of the Project with a total gross floor area of approximately 63,547.19 sq.m. (inclusive of the property) are held by Sheshan Country Club.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Car parking spaces	9,045.84	200
	Total:	9,045.84	200

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2020. The unit price of these comparable properties ranges from RMB100,000 to RMB200,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
4.	Portions of Future Land Flourish Peninsula located at Lane 1568 Chenglong Road Songjiang District Shanghai The PRC (上海•新城樾山半島)	Future Land Flourish Peninsula (the “Project”) is located at Lane 1568 Chenglong Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 16,263.70 sq.m., which had been developed into a residential development. The Project was completed in 2019, and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 3,244.98 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was vacant for sale.	15,700,000 (50.00% interest attributable to the Group: RMB7,850,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2016) No. EA31011720164342, permission towards the land planning of the Project with a site area of approximately 16,263.70 sq.m. (inclusive of the property) has been granted to Sheshan Country Club.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) Di No. 007401, the land use rights of the Project with a site area of approximately 16,263.70 sq.m. (inclusive of the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use.
- Pursuant to a Construction Work Planning Permit — Hu Song Jian (2017) No. FA31011720174540 in favour of Sheshan Country Club, the Project with a gross floor area of approximately 27,524.14 sq.m. (inclusive of the property) has been approved for construction.
- Pursuant to a Construction Work Commencement Permit — No. 1602SJ0035D10 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 27,524.14 sq.m. (inclusive of the property).

APPENDIX III

PROPERTY VALUATION REPORT

6. Pursuant to a Pre-sale Permit — Song Jiang Fang Guan (2018) Yu Zi No. 000314 in favour of Sheshan Country Club, the Group is entitled to sell portions of the Project (representing a gross floor area of approximately 18,523.65 sq.m.) to purchasers.

7. Pursuant to a Construction Work Completion and Inspection Certificate in favour of Sheshan Country Club, the construction of the Project with a gross floor area of approximately 27,614.90 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.

8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Residential	109.60	
	Car parking spaces	3,135.38	74
	Total:	3,244.98	74

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2020. The unit price of these comparable properties ranges from RMB50,000 to RMB56,000 per sq.m. for residential units and RMB100,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	No
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	Portion
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
5.	Portions of Sunkwan Flourish Seasons located at Lane 1258 Chenglong Road Songjiang District Shanghai The PRC (上海•上坤樾山四季)	Sunkwan Flourish Seasons (the “Project”) is located at Lane 1258 Chenglong Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 20,392.70 sq.m., which had been developed into a residential development. The Project was completed in 2017, and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 6,890.60 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was vacant for sale.	23,600,000 (50.00% interest attributable to the Group: RMB11,800,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2013) No. EA31011720130396, permission towards the land planning of the Project with a site area of approximately 20,392.70 sq.m. (inclusive of the property) has been granted to Sheshan Country Club.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) Di No. 007399, the land use rights of the Project with a site area of approximately 20,392.70 sq.m. (inclusive of the land use rights of the property) have been granted to Shanghai Sheshan Country Club expiring on 27 June 2075 for residential use.

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PROPERTY VALUATION REPORT

4. Pursuant to a Construction Work Planning Permit — Hu Song Jian (2016) No. FA31011720164555 in favour of Sheshan Country Club, the Project with a gross floor area of approximately 49,103.51 sq.m. (inclusive of the property) has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 1602SJ0035D04 and 1602SJ0035D05 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 49,103.51 sq.m. (inclusive of the property).
6. Pursuant to a Construction Work Completion and Inspection Certificate in favour of Sheshan Country Club, the construction of the Project with a gross floor area of approximately 48,795.80 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
7. Pursuant to a Real Estate Title Certificate — Hu (2018) Song Zi Bu Dong Chan Quan Di No. 045886, the land use rights of a parcel of land with a site area of approximately 20,392.7 sq.m. (inclusive of the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use. The building of the Project with a total gross floor area of approximately 12,252.34 sq.m is owned by Sheshan Country Club.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Car parking spaces	6,890.60	189
	Total:	6,890.60	189

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2020. The unit price of these comparable properties ranges from RMB100,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
6.	Portions of Sunkwan Flourish Villas located at Lane 728 Dongta Road Songjiang District Shanghai The PRC (上海•上坤樾山美墅)	Sunkwan Flourish Villas (the “Project”) is located at Lane 728 Dongta Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 54,425.80 sq.m., which had been developed into a residential development. The Project was completed in 2017, and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 27,271.55 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was vacant for sale.	71,000,000 (50.00% interest attributable to the Group: RMB35,500,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2016) No. EA31011720164345, permission towards the land planning of the Project with a site area of approximately 54,426.00 sq.m. (inclusive of the property) has been granted to Sheshan Country Club.
- Pursuant to a State-owned Land Use Rights Certificate — Hu Fang Di Song Zi (2013) Di No. 007392, the land use rights of the Project with a site area of approximately 54,425.80 sq.m. (inclusive of the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use.
- Pursuant to a Construction Work Planning Permit — Hu Song Jian (2016) No. FA31011720164600 in favour of Sheshan Country Club, the Project with a gross floor area of approximately 82,922.96 sq.m. (inclusive of the property) has been approved for construction.

APPENDIX III

PROPERTY VALUATION REPORT

5. Pursuant to 2 Construction Work Commencement Permits — Nos. 1602SJ0035D03 and 1602SJ0035D06 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 82,922.96 sq.m. (inclusive of the property).
6. Pursuant to a Construction Work Completion and Inspection Certificate in favour of Sheshan Country Club, the construction of the Project with a gross floor area of approximately 53,322.00 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
7. Pursuant to a Real Estate Title Certificate — Hu (2019) Song Zi Bu Dong Chan Quan Di No. 009393, the land use rights of a parcel of land with a site area of approximately 54,425.80 sq.m. (inclusive of the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use. The building of the Project with a total gross floor area of approximately 27,271.55 sq.m is owned by Sheshan Country Club.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Car parking spaces	27,271.55	592
	Total:	27,271.55	592

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2019. The unit price of these comparable properties ranges from RMB100,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes
d.	Construction Land Planning Permit	Yes
e.	Construction Work Planning Permit	Yes
f.	Construction Work Commencement Permit	Yes
g.	Pre-sale Permit	No
h.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
7.	Portions of Sunkwan Flourish Peninsula located at Lane 1500 Dongta Road Songjiang District Shanghai The PRC (上海•上坤樾山半島)	Sunkwan Flourish Peninsula (the “Project”) is located at Lane 1500 Dongta Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 112,123.20 sq.m., which is being developed into a residential development. The Project was completed in 2020, and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 64,094.00 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was vacant for sale.	149,600,000 (50.00% interest attributable to the Group: RMB74,800,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2016) No. EA31011720164343, permission towards the land planning of the Project with a site area of approximately 112,123.20 sq.m. (inclusive the property) has been granted to Sheshan Country Club.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) Di No. 007395, the land use rights of the Project with a site area of approximately 112,123.20 sq.m. (inclusive the land use rights of the property) have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use.

APPENDIX III

PROPERTY VALUATION REPORT

4. Pursuant to 2 Construction Work Planning Permits — Hu Song Jian Zi (2018) Nos. FA31011720186501 and FA31011720186549 in favour of Sheshan Country Club, the Project with a total gross floor area of approximately 173,870.27 sq.m. (inclusive the property) has been approved for construction.
5. Pursuant to 5 Construction Work Commencement Permits — Nos. 1602SJ0035D09, 1602SJ0035D11, 1602SJ0035D12, 1602SJ0035D13 and 1602SJ0035D14 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 173,870.27 sq.m. (inclusive the property).
6. Pursuant to 5 Pre-sale Permits — Song Jiang Fang Guan (2018) Yu Zi Di Nos. 0000345 and 0000054, and Song Jiang Fang Guan (2019) Yu Di Nos. 0000132 and 0000134, and Song Jiang Fang Guan (2020) Di No. 20200296 dated 18 August 2020 in favour of Sheshan Country Club, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 156,920.35 sq.m.) to purchasers.
7. Pursuant to 3 Construction Work Completion and Inspection Certificates in favour of Sheshan Country Club, the construction of portions of the Project with a total gross floor area of approximately 171,985.80 sq.m. (inclusive the property) has been completed and passed the inspection acceptance.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Residential	711,37	
	Car parking spaces	63,382.63	999
	Sub-total:	64,094.00	999
	Total:	64,094.00	999

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB48,000 to RMB59,000 per sq.m. for residential units, RMB100,000 to RM150,000 per sq.m. per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
8.	Flourish Project 06-08 located at the junction of Yangjiabing Road and Chenta Road Songjiang District Shanghai The PRC (上海•樾山項目 06-08)	Flourish Project 06-08 (the “Project”) is located at the junction of Yangjiabing Road and Chenta Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 7,090.40 sq.m., which will be developed into a residential and commercial development with a total planned gross floor area of approximately 10,807.80 sq.m. As advised by the Group, the construction of the Project had not been commenced as at the valuation date. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. The land use rights of the property have been granted for a term expiring on 27 June 2075 for residential use.	As at the valuation date, the property was bare land.	142,100,000 (50.00% interest attributable to the Group: RMB71,050,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for commercial and office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2014) No. EA31011720140064, permission towards the land planning of the Project with a site area of approximately 7,090.40 sq.m. has been granted to Sheshan Country Club.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) No. 007398, the land use rights of the Project with a site area of approximately 7,090.40 sq.m. have been granted to Sheshan Country Club expiring on 27 June 2075 for residential use.

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PROPERTY VALUATION REPORT

4. Pursuant to a Construction Work Planning Permit — Hu Song Jian (2020) FA310117202001216 dated 26 August 2020 in favour of Sheshan Country Club, the Project with a gross floor area of approximately 10,807.80 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 1902SJ0077D02 dated 31 August 2020 in favour of Shanghai Country Club, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 10,807.80 sq.m.
6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)	No. of car parking space
Group III — held for future development by the Group	Commercial	5,135.03	
	Ancillary	920.34	
	Basement (inclusive of car parking spaces)	4,752.43	78
	Total:	10,807.80	78

7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected residential and commercial lands which were transacted in the last three years. The accommodation value of these comparable land sites ranges from RMB14,000 to RMB16,000 per sq.m. for residential and commercial use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party; and
 - b. Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.
9. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No
10. For the purpose of this report, the property is classified into the group as “Group III — held for future development by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
9.	Flourish Project 08-06/08 located at the junction of Dongta Road and Tangzhuan Road Songjiang District Shanghai The PRC (上海•樾山項目 08-06/08)	Flourish Project 08-06/08 (the “Project”) is located at the junction of Dongta Road and Tangzhuan Road. The locality is a residential area with basic public facilities and public transportation are mainly available along the nearby Jiasong South Road. The Project occupies a parcel of land with a site area of approximately 44,895.80 sq.m., which will be developed into an office and commercial development with a total planned gross floor area of approximately 158,060.07 sq.m. As advised by the Group, the construction of the Project had not been commenced as at the valuation date. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. The land use rights of the property have been granted for the terms expiring on 27 June 2045 for commercial use and 27 June 2055 for office use.	As at the valuation date, the property was bare land.	1,118,300,000 (50.00% interest attributable to the Group: RMB559,150,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Song Fang Di (2002) Chu Rang He Tong Di No. 18 dated 7 February 2002 and 9 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 333,716.60 sq.m. (inclusive of the land use rights of the Project) were contracted to be granted to Shanghai Sheshan Country Club Co., Ltd. (上海佘山鄉村俱樂部有限公司, “Sheshan Country Club”, a 50%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for office use commencing from the land delivery date. The land premium was RMB431,940,896.
- Pursuant to a Real Estate Title Certificate (for land) — Hu Fang Di Song Zi (2013) Di No. 007404, the land use rights of the Project with a site area of approximately 44,895.80 sq.m. have been granted to Sheshan Country Club expiring on 27 June 2045 for commercial use and 27 June 2055 for office use.
- Pursuant to a Construction Land Planning Permit — Hu Song Di (2016) No. EA31011720165140, permission towards the land planning of the Project with a site area of approximately 44,895.80 sq.m. has been granted to Sheshan Country Club.
- Pursuant to a Construction Work Planning Permit — Hu Song Jian (2020) No. FA310117202001003 in favour of Sheshan Country Club, the Project with a gross floor area of approximately 158,060.07 sq.m. has been approved for construction.

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5. Pursuant to a Construction Work Commencement Permit – No. 1902SJ0077D01 dated 27 August 2020 in favour of Sheshan Country Club, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 158,060.07 sq.m.

6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)	No. of car parking space
Group V — held for Investment by the Group	Commercial	33,212.62	
	Office	77,496.11	
	Ancillary	5,452.70	
	Basement (inclusive of car parking spaces)	41,898.64	1,185
Total:		158,060.07	1,185

7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are commercial and office lands which were transacted in the last three years. The accommodation value of these comparable land sites ranges from RMB10,000 to RMB12,000 per sq.m. for composite commercial and office use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party; and
- Sheshan Country Club is legally and validly in possession of the land use rights of the property. Sheshan Country Club has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	No
g.	Construction Work Completion and Inspection Certificate/Table/Report	No

10. For the purpose of this report, the property is classified into the group as “Group V — held for investment by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
10.	Sunkwan Red Commercial Plaza located at No. 939 Songfa Road Baoshan District Shanghai The PRC (上海•上坤紅街)	Sunkwan Red Commercial Plaza (the “Project”) is located at No.939 Songfa Road. The locality is a well-developed commercial area with mature public infrastructures. The Project occupies a parcel of land with a site area of approximately 4,153.50 sq.m., which had been developed into a commercial development. The Project was completed in 2016, and held for investment as at the valuation date. As at the valuation date, the property comprised the whole project with a total gross floor area of approximately 5,952.48 sq.m. The classification, usage and gross floor area details of the property were set out in note 2. The land use rights of the property have been granted for a term expiring on 25 March 2055 for commercial use.	As at the valuation date, portions of the property were vacant and the remaining portion of the property was rented to various independent third parties for commercial use.	133,600,000 (100.00% interest attributable to the Group: RMB133,600,000)

Notes:

- Pursuant to 2 Real Estate Title Certificates — Hu (2017) Bao Zi Bu Dong Chan Quan Di Nos. 014551 and 014552, the land use rights of the Project with a site area of approximately 4,153.50 sq.m. have been granted to Shanghai Sunkwan Songfa Property Co., Ltd. (上海上坤淞發置業有限公司, “Shanghai Sunkwan Songfa”, a wholly-owned subsidiary of the Company) for a term expiring on 25 March 2055 for commercial use. The building of the property with a total gross floor area of 5,952.48 sq.m is owned by Shanghai Sunkwan Songfa.
- According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area
		<i>(sq.m.)</i>
Group V — held for Investment by the Group	Commercial	5,952.48
		Total: 5,952.48

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3. Pursuant to 15 Tenancy Agreements, portions of the property with a total gross floor area of approximately 4,780.22 sq.m. are leased to 15 tenants for commercial purpose with the expiry dates between 25 February 2021 and 14 November 2031, and the monthly rent receivable as at the valuation date is approximately RMB488,000, exclusive of management fees, water and electricity charges.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the shopping mall of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
 - b. The unit rent of these comparable commercial units on the first floor range from RMB5.9 to RMB6.9 per sq.m. per day; and
 - c. Based on our research on commercial market in the surrounding area of the property, the stabilized market yield ranged from 5% to 6% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 5.5% for the property as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, portions of the land use rights and buildings of the property are subject to a mortgage in favour of a third party; and
 - b. Shanghai Songfa is legally and validly in possession of the land use rights and buildings of the property. Shanghai Songfa has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights and buildings of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.
6. A summary of major certificates/approvals is shown as follows:
 - a. Real Estate Title Certificate Yes
7. For the purpose of this report, the property is classified into the group as “Group V — held for investment by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
11.	Portions of Sunkwan Upper Commercial Plaza located at Lane 299 Tangxi Street Baoshan District Shanghai The PRC (上海•上坤上街)	Sunkwan Upper Commercial Plaza (the “Project”) is located at Lane 299 Tangxi Street. The locality is a commercial and residential area with basic public facilities and transportation. The Project occupies a parcel of land with a site area of approximately 31,933.20 sq.m., which had been developed into a commercial development. The Project was completed in 2016, and the unsold portion (the “unsold units”) was vacant for sale and held for investment as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 25,493.20 sq.m. The classification, usage and gross floor area details of the property were set out in note 2. The land use rights of the property have been granted for a term expiring on 17 April 2048 for commercial use.	As at the valuation date, the unsold portion of the property was vacant and the remaining portion of the property was rented to various independent third parties for commercial use.	369,400,000 (100.00% interest attributable to the Group: RMB369,400,000)

Notes:

- Pursuant to 2 Real Estate Title Certificates — Hu (2017) Bao Zi Bu Dong Chan Quan Di Nos. 012341 and 012584, the land use rights of the Project with a site area of approximately 31,933.20 sq.m. (inclusive of the land use rights of the property) have been granted to Shanghai Qianrong Property Co., Ltd. (上海乾嶸置業有限公司, “Shanghai Qianrong”, a wholly-owned subsidiary of the Company) for a term expiring on 17 April 2048 for commercial use. The buildings of the Project with a total gross floor area of 42,445.43 sq.m. (inclusive of the property) are owned by Shanghai Qianrong.
- According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area	No. of car parking space
		(sq.m.)	
Group I — held for sale by the Group	Commercial	3,560.99	
	Sub-total:	3,560.99	
Group V — held for Investment by the Group	Commercial	11,857.76	
	Car Parking Spaces	10,074.45	372
	Sub-total:	21,932.21	372
	Total:	25,493.20	372

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PROPERTY VALUATION REPORT

3. As advised by the Group, various commercial units with a gross floor area of approximately 378.17 sq.m. in the Group I of the property have been pre-sold to various third parties at a consideration of RMB7,037,549. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
4. Pursuant to 4 Tenancy Agreements, the property with a total gross floor area of approximately 8,943.40 sq.m. are leased to 4 tenants for commercial purpose with the expiry dates between 30 June 2022 and 31 July 2031, and the monthly rent receivable as at the valuation date is approximately RMB549,000, exclusive of management fees, water and electricity charges.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the shopping mall of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
 - b. The unit rent of these comparable commercial units on the first floor range from RMB5.8 to RMB6.5 per sq.m. per day; and
 - c. Based on our market research in the surrounding area of the property, for commercial portion, the stabilized market yield ranged from 5% to 6%, and for car parking spaces, the stabilized market yield ranged from 2% to 3% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 5.5% for the commercial portions and 2.5% for car parking spaces as the capitalization rates in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights and buildings of the property are subject to a mortgage in favour of a third party; and
 - b. Shanghai Qianrong is legally and validly in possession of the land use rights and buildings of the property. Shanghai Qianrong has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights and buildings of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.
7. A summary of major certificates/approvals is shown as follows:
 - a. Real Estate Title Certificate Yes
8. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group I — held for sale by the Group	66,200,000
Group V — held for investment by the Group	303,200,000
Total:	369,400,000

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
12.	Sunkwan International Plaza Tower 3 located at Lane 399, No. 2 Xinlong Road Minhang District Shanghai The PRC (上海•上坤國際廣場T3)	Sunkwan International Plaza Tower 3 (the “Project”) is located at Lane 399, No. 2 Xinlong Road. The locality is a well-developed commercial and residential area with mature public infrastructures. Sunkwan International Plaza occupies a parcel of land with a site area of approximately 52,046.80 sq.m. (inclusive of the Project), which had been developed into a commercial and office development. The Project was completed in 2016 and held for investment as at the valuation date. As at the valuation date, the property comprised the whole project with a total gross floor area of approximately 14,727.03 sq.m. The classification, usage and gross floor area details of the property were set out in note 2. The land use rights of the property have been granted for a term expiring on 20 February 2064 for office use.	As at the valuation date, portions of the property were vacant and the remaining portion of the property was rented to various independent third parties for office use.	545,300,000 (100.00% interest attributable to the Group: RMB545,300,000)

Notes:

- Pursuant to 27 Real Estate Title Certificates — Hu (2017) Min Zi Bu Dong Chan Quan Di Nos. 033209, 033212, 033216, 033217, 033220, 033226 to 033228, 033271, 033273, 033276, 033278, 033279, 033283, 033286, 033288, 033290, 033291, 033293, 033296, 033297, 033299, 033300, 033546 to 033548, and 033958, the land use rights of a parcel of land with a site area of approximately 52,046.80 sq.m. (inclusive of the land use rights of the property) have been granted to Shanghai Longbi Property Management Co., Ltd. (上海龍弼物業管理有限公司, “Shanghai Longbi”, a wholly-owned subsidiary of the Company) expiring on 20 February 2064 for office use. The building of the Project with a total gross floor area of approximately 14,727.03 sq.m is owned by Shanghai Longbi.

APPENDIX III

PROPERTY VALUATION REPORT

2. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area
		(sq.m.)
Group V — held for Investment by the Group	Office	14,727.03
	Total:	14,727.03

3. Pursuant to 8 Tenancy Agreements, portions of the property with a total gross floor area of approximately 14,587.66 sq.m. are leased to 8 tenants for office purpose with the expiry dates between 15 December 2020 and 31 July 2025, and the monthly rent receivable as at the valuation date is approximately RMB1,670,000, exclusive of management fees, water and electricity charges.
4. Our valuation has been made on the following basis and analysis:
- In undertaking our valuation, we have considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the shopping mall of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
 - The unit rent of these comparable office units range from RMB4.5 to RMB6.0 per sq.m. per day; and
 - Based on our market research in the surrounding area of the property, for office portion, the stabilized market yield ranged from 3.0% to 5.0% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.0% for the office as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
- Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of a third party; and
 - Shanghai Longbi is legally and validly in possession of the land use rights of the property. Shanghai Longbi has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.
6. A summary of major certificates/approvals is shown as follows:
- Real Estate Title Certificate Yes
7. For the purpose of this report, the property is classified into the group as “Group V — held for investment by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
13.	Sunkwan International Plaza Tower 4 located at Lane 399, No. 1 Xinlong Road, Minhang District Shanghai The PRC (上海•上坤國際廣場T4)	Sunkwan International Plaza Tower 4 (the “Project”) is located at Lane 399, No. 1 Xinlong Road. The locality is a well-developed commercial and residential area with mature public infrastructures. Sunkwan International Plaza occupies a parcel of land with a site area of approximately 52,046.80 sq.m. (inclusive of the Project), which had been developed into a commercial and office development. The Project was completed in 2016 and held for investment as at the valuation date. As at the valuation date, the property comprised the whole project with a total gross floor area of approximately 14,805.00 sq.m. The classification, usage and gross floor area details of the property were set out in note 2. The land use rights of the property have been granted for a term expiring on 20 February 2064 for office use.	As at the valuation date, portions of the property were vacant and the remaining portion of the property was rented to various independent third parties for office use.	547,000,000 (100.00% interest attributable to the Group : RMB547,000,000)

Notes:

- Pursuant to 27 Real Estate Title Certificates — Hu (2017) Min Zi Bu Dong Chan Quan Di Nos. 031582, 031583, 031586, 031588, 031589, 031592, 031593, 031596, 031938, 031941, 031943, 031944, 031946, 031950, 031952, 031953, 031965, 031968, 031971 to 031973, 031976, 031978 to 031980, 031983 and 031984 the land use rights of a parcel of land with a site area of approximately 52,046.80 sq.m. (inclusive of the land use rights of the property) have been granted to Shanghai Longlv Property Management Co., Ltd. (上海龍呂物業管理有限公司, “Shanghai Longlv”, a wholly-owned subsidiary of the Company) expiring on 20 February 2064 for office use. The building of the Project with a total gross floor area of approximately 14,805.00 sq.m. is owned by Shanghai Longlv.

APPENDIX III

PROPERTY VALUATION REPORT

2. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)
Group V — held for Investment by the Group	Office	14,805.00
Total:		14,805.00

3. Pursuant to 19 Tenancy Agreements, portions of the property with a total gross floor area of approximately 13,126.69 sq.m. are leased to 19 tenants for office purpose with the expiry dates between 14 August 2020 and 31 October 2025, and the monthly rent receivable as at the valuation date is approximately RMB1,593,000, exclusive of management fees, water and electricity charges.

4. Our valuation has been made on the following basis and analysis:

- In undertaking our valuation, we have considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the shopping mall of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
- The unit rent of these comparable office units range from RMB4.5 to RMB6.0 per sq.m. per day; and
- Based on our market research in the surrounding area of the property, for office portion, the stabilized market yield ranged from 3.0% to 5.0% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.0% for the office as the capitalization rate in the valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of a third party; and
- Shanghai Longlv is legally and validly in possession of the land use rights of the property. Shanghai Longlv has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.

6. A summary of major certificates/approvals is shown as follows:

a. Real Estate Title Certificate	Yes

7. For the purpose of this report, the property is classified into the group as “Group V — held for investment by the Group in the PRC” according to the purpose for which it is held.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
14.	Sunkwan International Plaza Tower 5 located at No. 111 Haowen Road Minhong District Shanghai The PRC (上海•上坤國際廣場T5)	Sunkwan International Plaza Tower 5 (the “Project”) is located at No. 111 Haowen Road. The locality is a well-developed commercial and residential area with mature public infrastructures. Sunkwan International Plaza occupies a parcels of land with a site area of approximately 52,046.80 sq.m. (inclusive of the Project), which had been developed into a commercial and office development. The Project was completed in 2016, and the unsold portion (the “unsold units”) was held and occupied and held for investment as at the valuation date. As at the valuation date, the property comprised the whole project with a total gross floor area of approximately 11,483.53 sq.m. The classification, usage and gross floor area details of the property were set out in note 2. The land use rights of the property have been granted for a term expiring on 20 February 2064 for office use.	As at the valuation date, the unsold portion of the property was held and occupied and the remaining portion of the property was rented to various independent third parties for commercial use.	425,300,000 (100.00% interest attributable to the Group: RMB425,300,000)

Notes:

- Pursuant to 12 Real Estate Title Certificates — Hu (2017) Min Zi Bu Dong Chan Quan Di Nos. 031203, 031210, 031212, 031214 to 031216, 031218, 032117 to 032118, 032121, 032561 and 032565, the land use rights of a parcel of land with a site area of approximately 52,046.80 sq.m. (inclusive of the land use rights of the property) have been granted to Shanghai Longshu Property Management Co., Ltd. (上海龍樞物業管理有限公司, “Shanghai Longshu”, a wholly-owned subsidiary of the Company) expiring on 20 February 2064 for office use. The building of the Project with a total gross floor area of approximately 6,553.03 sq.m. is owned by Shanghai Longshu.

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2. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)
Group V — held for Investment by the Group	Office	6,553.03
	Sub-total:	6,553.03
Group VI — held and occupied by the Group	Office	4,930.50
	Sub-total:	4,930.50
	Total:	11,483.53

3. Pursuant to 7 Tenancy Agreements, the property with a total gross floor area of approximately 6,229.36 sq.m. is leased to 7 tenants for office purpose with the expiry dates between 15 August 2020 and 15 September 2023, and the monthly rent receivable as at the valuation date is approximately RMB810,000, exclusive of management fees, water and electricity charges.
4. Our valuation has been made on the following basis and analysis:
- In undertaking our valuation, we have considered the actual rents in the existing tenancy agreements and also compared with similar developments which are located in the similar areas as the shopping mall of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;
 - The unit rent of these comparable office units range from RMB4.5 to RMB6.0 per sq.m. per day; and
 - Based on our market research in the surrounding area of the property, for office portion, the stabilized market yield ranged from 3.0% to 5.0% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.0% for the office as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
- Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of a third party; and
 - Shanghai Longshu is legally and validly in possession of the land use rights of the property. Shanghai Longshu has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.
6. A summary of major certificates/approvals is shown as follows:
- Real Estate Title Certificate Yes
7. For the purpose of this report, the property is classified into the following groups according to the purposes for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group V — held for investment by the Group	242,400,000
Group VI — held and occupied by the Group	182,900,000
Total:	425,300,000

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
15.	Sunkwan Center located at the western side of Xinzhen Road and the southern side of Shangkun Road Minhang District Shanghai The PRC (上海•上坤中心)	Sunkwan Center (the “Project”) is located at the western side of Xinzhen Road and the southern side of Shangkun Road. The locality is a well-developed commercial and residential area with mature public infrastructures.	As at the valuation date, the property was under construction.	1,790,700,000 (50.00% interest attributable to the Group: RMB895,350,000)
		The Project occupies a parcel of land with a site area of approximately 15,982.00 sq.m., which is being developed into a commercial and office development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 98,323.92 sq.m.		
		As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6.		
		As advised by the Group, the construction cost of the property is estimated to be approximately RMB650,300,000 of which approximately RMB393,400,000 had been incurred as at the valuation date.		
		The land use rights of the property have been granted for the terms expiring on 12 September 2057 for commercial use and 12 September 2067 for office use.		

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Hu Min Gui Tu (2017) Chu Rang He Tong Di No. 16 dated 28 September 2017, the land use rights of the Project with a site area of approximately 15,982.00 sq.m. were contracted to be granted to Shanghai Xinqian Property Co., Ltd. (上海心千置業有限公司, “Shanghai Xinqian”, a 50%-owned joint venture of the Company) for terms of 40 years for commercial use and 50 years for office use commencing from the land delivery date. The land premium was RMB1,064,400,000.

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2. Pursuant to a Construction Land Planning Permit — Hu Min Di (2017) No. EA31011220175399, permission towards the land planning of the Project with a site area of approximately 15,982.00 sq.m. has been granted to Shanghai Xinqian.
3. Pursuant to a Real Estate Title Certificate (for land) — Hu (2017) Min Zi Bu Dong Chan Quan Di No. 050090, the land use rights of the Project with a site area of approximately 15,982.00 sq.m. have been granted to Shanghai Xinqian expiring on 12 September 2057 for commercial use and 12 September 2067 for office use.
4. Pursuant to a Construction Work Planning Permit — Hu Min Jian (2018) No. FA31011220186960 in favour of Shanghai Xinqian, the Project with a gross floor area of approximately 98,323.92 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 1702MH0469D02 in favour of Shanghai Xinqian, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 98,323.92 sq.m.
6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)	No. of car parking space
Group V — held for investment by the Group	Retail	26,403.38	
	Office	18,022.02	
	Service apartment	15,185.00	
	Ancillary	206.00	
	Basement (inclusive of car parking spaces)	38,507.52	551
Total:		98,323.92	551

7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,228,000,000.
8. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have identified and analyzed various relevant rental evidences in the locality which have similar characteristics as the subject property such as nature, use and accessibility. The unit rents of these comparable retail units on the first floor range from RMB15.0 to RMB19.0 per sq.m. per day, the unit rents of these comparable office units range from RMB6.0 to RMB7.0 per sq.m. per day and the unit rents of these comparable service apartment units range from RMB7.0 to RMB9.0 per sq.m. per day; and
 - b. Based on our market research in the surrounding area of the property, for retail portion, the stabilized market yield ranged from 5% to 6%, for office portion, the stabilized market yield ranged from 3% to 5% and for service apartment portion, the stabilized market yield ranged from 4% to 6% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 5.25% for the retail portion, 4.5% for office portion and 4.75% for the service apartment portion as the capitalization rate in the valuation.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;

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- b. Shanghai Xinqian is legally and validly in possession of the land use rights of the property. Shanghai Xinqian has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property; and
 - c. Shanghai Xinqian has obtained related requisite approvals for the construction work of the property from the relevant government authorities.
10. A summary of major certificates/approvals is shown as follows:
- | | |
|---|-----|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land) | Yes |
| c. Construction Land Planning Permit | Yes |
| d. Construction Work Planning Permit | Yes |
| e. Construction Work Commencement Permit | Yes |
| f. Pre-sale Permit | No |
| g. Construction Work Completion and Inspection Certificate/Table/Report | No |
11. For the purpose of this report, the property is classified into the group as “Group V — held for investment by the Group in the PRC” according to the purpose for which it is held.

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
16.	Portions of Cixi Cloud Mansion located at the southern side of West Xinxing Street Chongshou Town Ningbo City Zhejiang Province The PRC (寧波•慈溪雲邸華府)	Cixi Cloud Mansion (the “Project”) is located at the southern side of West Xinxing Street. The locality is a residential and commercial area with basic infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 36,332.00 sq.m., which is being developed into a residential and commercial development. The Project was completed in May 2020 and its unsold portions (“the unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 17,317.83 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for the terms expiring on 12 March 2088 for residential use and 12 March 2058 for commercial use.	As at the valuation date, the property was vacant for sale.	124,900,000 (33.33% interest attributable to the Group: RMB41,630,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3302822018A21013 dated 11 February 2018 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 36,332.00 sq.m. (inclusive of the land use rights of the property) were contracted to be granted to Cixi City Chonggui Property Development Co., Ltd. (慈溪市崇桂房地產開發有限公司, “Cixi Chonggui”, a 33%-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB79,060,000.
- Pursuant to a Construction Land Planning Permit — (2018) Zhe Gui Di Zi Di No. 0220021, permission towards the land planning of the Project with a site area of approximately 36,332.00 sq.m. (inclusive of the property) has been granted to Cixi Chonggui.
- Pursuant to a Real Estate Title Certificate (for land) — Zhe (2018) Ci Xi Shi Bu Dong Chan Quan Di No. 0009926, the land use rights of the Project with a site area of approximately 36,332.00 sq.m. (inclusive of the land use rights of the property) have been granted to Cixi Chonggui expiring on 12 March 2088 for residential use and 12 March 2058 for commercial use.
- Pursuant to a Construction Work Planning Permit — (2018) Zhe Gui Jian Zi Di No. 0220124 in favour of Cixi Chonggui, the Project with a gross floor area of approximately 97,067.52 sq.m. (inclusive of the property) has been approved for construction.

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5. Pursuant to a Construction Work Commencement Permit — No. 330282201806270101 in favour of Cixi Chonggui, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 97,067.52 sq.m. (inclusive of the property).
6. Pursuant to 2 Pre-sale Permits — Ci Fang Yu Xu Zi (2019) Di Nos. 006 and 033 in favour of Cixi Chonggui, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 80,872.93 sq.m.) to purchasers.
7. Pursuant to a Construction Work Completion and Inspection Certificate in favour of Cixi Chonggui, the construction of the Project with a total gross floor area of approximately 97,007.53 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Group	Residential	7,980.94	
	Commercial	4,904.60	
	Basement (inclusive of car parking spaces)	4,432.29	329
	Total:	17,317.83	329

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB8,000 to RMB10,000 per sq.m. for residential units, RMB9,000 to RMB11,000 per sq.m. for commercial units on the first floor and RMB30,000 to RMB35,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Cixi Chonggui is legally and validly in possession of the land use rights of the property. Cixi Chonggui has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
17.	Cixi Phoenix Mansion located at the junction of Cuiping Road and Hengpeng Highway Henghe Town Ningbo City Zhejiang Province The PRC (寧波•慈溪鳳鳴梧桐府)	Cixi Phoenix Mansion (the “Project”) is located at the junction of Cuiping Road and Hengpeng Highway. The locality is a residential area with basic infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 43,483.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in December 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 131,224.90 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB392,100,000, of which approximately RMB344,800,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 8 March 2088 for residential use and 8 March 2058 for commercial use.	As at the valuation date, the property was under construction.	848,300,000 (30.00% interest attributable to the Group: RMB254,490,000)

Notes:

- Pursuant to 2 State-owned Land Use Rights Grant Contracts — No. 3302822018A21012 dated 9 February 2018, No. 3302822018A21064 dated 16 May 2018 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 43,483.00 sq.m. were contracted to be granted to Cixi Hengkun Property Co., Ltd. (慈溪恒坤置業有限公司, “Cixi Hengkun”, a 30%-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB278,050,000.

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2. Pursuant to 2 Construction Land Planning Permits — (2018) Zhe Gui Di Zi Di Nos. 0220015 and 0220038, permission towards the land planning of the Project with a total site area of approximately 43,483.00 sq.m. has been granted to Cixi Hengkun.
3. Pursuant to 2 Real Estate Certificates (for land) — Zhe (2018) Ci Xi Shi Bu Dong Chan Quan Di Nos. 0011628 and 0023765, the land use rights of the Project with a site area of approximately 43,483.00 sq.m. have been granted to Cixi Hengkun expiring on 8 March 2088 for residential use and 8 March 2058 for commercial use.
4. Pursuant to a Construction Work Planning Permit — (2018) Zhe Gui Jian Zi Di No. 0220155 in favour of Cixi Hengkun, the Project with a gross floor area of approximately 131,224.90 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 33028220180720101 in favour of Cixi Hengkun, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 131,224.90 sq.m.
6. Pursuant to 2 Pre-sale Permits — Ci Fang Yu Xu Zi (2019) Di Nos. 002 and 019 in favour of Cixi Hengkun, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 113,118.75 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	98,068.82	
	Commercial	3,272.17	
	Ancillary	2,404.43	
	Basement (inclusive of car parking spaces)	27,479.48	840
	Total:	131,224.90	840

8. As advised by the Group, various residential, retail units and car parking spaces with a total gross floor area of approximately 88,933.26 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB731,643,037. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB922,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB8,000 to RMB10,000 per sq.m. for residential units, RMB10,000 to RM15,000 per sq.m. for commercial units on the first floor and RMB50,000 to RMB60,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and

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location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Cixi Hengkun is legally and validly in possession of the land use rights of the property. Cixi Hengkun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Cixi Hengkun has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the property of which the Pre-sale Permits have been obtained, Cixi Hengkun has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
18.	Cixi Riverview Mansion located at the northern side of East Beisanhuan Road and the eastern side of North Xincheng Avenue Kandun Town Ningbo City Zhejiang Province The PRC (寧波•慈溪閩江府)	Cixi Riverview Mansion (the “Project”) is located at the northern side of East Beisanhuan Road and the eastern side of North Xincheng. The locality is a residential and commercial area with mature infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 44,282.00 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in September 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 130,776.23 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB399,700,000, of which approximately RMB354,600,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 21 June 2088 for residential use.	As at the valuation date, the property was under construction.	1,112,500,000 (34.00% interest attributable to the Group: RMB378,250,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3302822018A21072 dated 23 May 2018 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 44,282.00 sq.m. were contracted to be granted to Cixi Xingkun Property Co., Ltd. (慈溪星坤置業有限公司 “Cixi Xingkun”, a 34%-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB672,950,000.

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2. Pursuant to a Construction Land Planning Permit — (2018) Zhe Gui Di Zi Di No. 0220051, permission towards the land planning of the Project with a site area of approximately 44,282.00 sq.m. has been granted to Cixi Xingkun.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2018) Ci Xi Shi Bu Dong Chan Quan Di No. 0028971, the land use rights of the Project with a site area of approximately 44,282.00 sq.m. have been granted to Cixi Xingkun expiring on 21 June 2088 for residential use.
4. Pursuant to a Construction Work Planning Permit — (2018) Zhe Gui Jian Zi Di No. 0220164 in favour of Cixi Xingkun, the Project with a gross floor area of approximately 130,776.23 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 330282201808150101 in favour of Cixi Xingkun, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 130,776.23 sq.m.
6. Pursuant to 2 Pre-sale Permits — Ci Fang Yu Xu Zi (2018) Di No. 036 and Ci Fang Yu Xu Zi (2019) Di No. 035 in favour of Cixi Xingkun, the Group is entitled to sell portions of the Project (representing a gross floor area of approximately 105,962.26 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	96,042.78	
	Ancillary	2,413.56	
	Basement (inclusive of car parking spaces)	32,319.89	720
	Total:	130,776.23	720

8. As advised by the Group, various residential units and car parking spaces with a total gross floor area of approximately 84,817.21 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB957,613,611. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,180,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB10,000 to RMB13,000 per sq.m. for residential units and RMB100,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

APPENDIX III

PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights and buildings under construction of the property are subject to a mortgage in favour of a third party;
 - b. Cixi Xingkun is legally and validly in possession of the land use rights of the property. Cixi Xingkun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Cixi Xingkun has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the property of which the Pre-sale Permits have been obtained, Cixi Xingkun has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
19.	Cixi Joy Mansion located at the junction of Guangze Road and Dongchao Road Kandun Town Ningbo City Zhejiang Province The PRC (寧波•慈溪檀悅府)	Cixi Joy Mansion (the “Project”) is located at the junction of Guangze Road and Dongchao Road. The locality is a residential and commercial area with mature infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 36,658.00 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in November 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 84,704.05 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB274,500,000, of which approximately RMB236,200,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 15 June 2088 for residential use.	As at the valuation date, the property was under construction.	739,800,000 (28.00% interest attributable to the Group: RMB207,140,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3302822018A21068 dated 17 May 2018 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 36,658.00 sq.m. were contracted to be granted to Ningbo Guangkai Property Development Co., Ltd. (寧波光凱房地產開發有限公司, “Ningbo Guangkai”, a 28%-owned associate of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB404,960,000.

APPENDIX III

PROPERTY VALUATION REPORT

2. Pursuant to a Construction Land Planning Permit — (2018) Zhe Gui Di Zi Di No. 0220049, permission towards the land planning of the Project with a site area of approximately 36,658.00 sq.m. has been granted to Ningbo Guangkai.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2018) Ci Xi Shi Bu Dong Chan Quan Di No. 0028401, the land use rights of the Project with a site area of approximately 36,658.00 sq.m. have been granted to Ningbo Guangkai expiring on 15 June 2088 for residential use.
4. Pursuant to a Construction Work Planning Permit — (2018) Zhe Gui Jian Zi Di No. 0220172 in favour of Ningbo Guangkai, the Project with a gross floor area of approximately 84,704.05 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 330282201808310201 in favour of Ningbo Guangkai, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 84,704.05 sq.m.
6. Pursuant to a Pre-sale Permit — Ci Fang Yu Xu Zi (2019) Di No. 012 in favour of Ningbo Guangkai, the Group is entitled to sell portions of the Project (representing a gross floor area of approximately 66,932.03 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	57,576.50	
	Ancillary	1,521.05	
	Basement (inclusive of car parking spaces)	25,606.50	476
	Total:	84,704.05	476

8. As advised by the Group, various residential units with a total gross floor area of approximately 25,534.94 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB299,951,279. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB805,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB12,000 to RMB13,000 per sq.m. for residential units, and RMB100,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

APPENDIX III

PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Ningbo Guangkai is legally and validly in possession of the land use rights of the property. Ningbo Guangkai has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Ningbo Guangkai has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the property of which the Pre-sale Permits have been obtained, Ningbo Guangkai has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
20.	Cixi Jade Mansion located at the junction of Huchong Highway and Beisanhuan Road Hushan Town Ningbo City Zhejiang Province The PRC (寧波•慈溪瓏玥府)	Cixi Jade Mansion (the “Project”) is located at the junction of Huchong Highway and Beisanhuan Road. The locality is a residential area with mature infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 113,857.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in September 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 253,593.95 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB835,000,000, of which approximately RMB757,000,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 2 June 2088 for residential, 2 June 2058 for commercial use and 2 June 2068 for medical charity use.	As at the valuation date, the property was under construction.	2,215,900,000 (16.00% interest attributable to the Group: RMB354,540,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3302822018A21021 dated 5 March 2018, the land use rights of the Project with a site area of approximately 113,857.00 sq.m. were contracted to be granted to Cixi City Jingui Property Co., Ltd. (慈溪市金桂置業有限公司, “Cixi Jingui”, a 16%-owned associate of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for medical charity use commencing from the land delivery date. The land premium was RMB1,020,000,000.

APPENDIX III

PROPERTY VALUATION REPORT

2. Pursuant to a Construction Land Planning Permit — (2018) Zhe Gui Di Zi Di No. 0220044, permission towards the land planning of the Project with a site area of approximately 113,857.00 sq.m. has been granted to Cixi Jingui.
3. Pursuant to 2 Real Estate Certificates (for land) — Zhe (2018) Ci Xi Shi Bu Dong Chan Quan Di Nos. 0042100 and 0042098, the land use rights of the Project with a site area of approximately 113,857.00 sq.m. have been granted to Cixi Jingui expiring on 2 June 2088 for residential use, 2 June 2058 for commercial use and 2 June 2068 for medical charity use.
4. Pursuant to 2 Construction Work Planning Permits — (2018) Zhe Gui Jian Zi Di Nos. 0220130 and 0220129 in favour of Cixi Jingui, the Project with a total gross floor area of approximately 253,593.95 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 330282201807240201 and 330282201807270301 in favour of Cixi Jingui, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 253,593.95 sq.m.
6. Pursuant to 4 Pre-sale Permit — Ci Fang Yu Xu Zi (2018) Di No. 032 and Ci Fang Yu Xu Zi (2019) Di Nos. 004, 016 and 023 in favour of Cixi Jingui, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 209,942.48 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	177,898.61	
	Commercial	1,410.68	
	Ancillary	4,007.32	
	Basement (inclusive of car parking spaces)	70,277.34	1,337
	Total:	253,593.95	1,337

8. As advised by the Group, various residential units with a total gross floor area of approximately 187,349.77 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB2,162,269,652. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,364,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB10,000 to RMB13,000 per sq.m. for residential units, RMB14,000 to RMB16,700 per sq.m. for commercial units on the first floor and RMB70,000 to RMB100,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

APPENDIX III

PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Cixi Jingui is legally and validly in possession of the land use rights of the property. Cixi Jingui has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Cixi Jingui has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permits have been obtained, Cixi Jingui has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
21.	Dongyang Metropolis located at the junction of Shimao Avenue and Kunxi Road Jinhua City Zhejiang Province The PRC (金華•東陽大都會)	Dongyang Metropolis (the “Project”) is located at the junction of Shimao Avenue and Kunxi Road. The locality is a developed residential area with basic public facilities and amenities. The Project occupies a parcel of land with a site area of approximately 28,585.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in September 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 124,077.64 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB372,100,000, of which approximately RMB296,900,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 1 July 2088 for residential use and 1 July 2058 for commercial use.	As at the valuation date, the property was under construction.	1,004,600,000 (51% attributable to the Group: RMB512,350,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3307832018A21028 dated 13 June 2018, the land use rights of the Project with a site area of approximately 28,585.00 sq.m. were contracted to be granted to Jinhua Jingkun Property Co., Ltd. (金華璟坤置業有限公司, “Jinhua Jingkun”, a 51%-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB567,000,000.

APPENDIX III

PROPERTY VALUATION REPORT

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 330783201800019A, permission towards the land planning of the Project with a site area of approximately 28,585.00 sq.m. has been granted to Jinhua Jingkun.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2018) Dong Yang Shi Bu Dong Chan Quan Di No. 0022824, the land use rights of the Project with a site area of approximately 28,585.00 sq.m. have been granted to Jinhua Jingkun expiring on 1 July 2088 for residential use and 1 July 2058 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 330783201800103 in favour of Jinhua Jingkun, the Project with a gross floor area of approximately 124,077.64 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 330783201809170101 in favour of Jinhua Jingkun, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 124,077.64 sq.m.
6. Pursuant to 3 Pre-sale Permits — Dong Shou Yu Xu Zi (2018) No. 34 and Dong Shou Yu Xu Zi (2019) Nos. 11 and 27 in favour of Jinhua Jingkun, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 110,385.06 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	95,838.49
	Commercial	3,018.55
	Ancillary	904.60
	Basement	24,316.00
Total:		124,077.64

8. As advised by the Group, various residential and retail units with a total gross floor area of approximately 96,348.31 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB1,092,100,863. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,114,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB10,000 to RMB11,000 per sq.m. for residential units and RMB15,000 to RMB17,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

APPENDIX III

PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Jinhua Jingkun is legally and validly in possession of the land use rights of the property. Jinhua Jingkun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Jinhua Jingkun has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Jinhua Jingkun has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
22.	Dongyang Metropolis Seasons located at the junction of No. 37 Highway and Nanhuan Road Jinhua City Zhejiang Province The PRC (金華•東陽都會四季)	Dongyang Metropolis Seasons (the “Project”) is located at the junction of No. 37 Highway and Nanhuan Road. The locality is a newly-developed residential area with basic public facilities and amenities. The Project occupies a parcel of land with a site area of approximately 54,097.00 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in December 2021. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 139,743.52 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB409,400,000, of which approximately RMB211,700,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 21 October 2088 for residential use and 21 October 2068 for kindergarten use.	As at the valuation date, the property was under construction.	884,300,000 (38.25% attributable to the Group: RMB338,240,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3307832018A21074 dated 7 September 2018, the land use rights of the Project with a site area of approximately 54,097.00 sq.m. were contracted to be granted to Dongyang Kunyu Property Co., Ltd. (東陽坤宇置業有限公司, “Dongyang Kunyu”, a 38.25%-owned subsidiary of the Company) for terms of 70 years for residential use and 50 years for kindergarten use commencing from the land delivery date. The land premium was RMB341,000,000.

APPENDIX III

PROPERTY VALUATION REPORT

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 330783201800124A, permission towards the land planning of the Project with a site area of approximately 54,097.00 sq.m. has been granted to Dongyang Kunyu.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2019) Dong Yang Shi Bu Dong Chan Quan Di No. 0018949, the land use rights of the Project with a site area of approximately 54,097.00 sq.m. have been granted to Dongyang Kunyu expiring on 21 October 2088 for residential use and 21 October 2068 for kindergarten use.
4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 330783201900026 and 330783201900087 in favour of Dongyang Kunyu, the Project with a total gross floor area of approximately 139,743.52 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 330783201903290201 and 330783201908080201 in favour of Dongyang Kunyu, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 139,743.52 sq.m.
6. Pursuant to 4 Pre-sale Permits — Dong Shou Xu Zi (2019) Nos. 24, 34 and Dong Shou Xu Zi (2020) Nos. 02, 07 in favour of Dongyang Kunyu, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 107,780.44 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)
Group II — held under development by the Group	Residential	105,045.64
	Ancillary	959.64
	Basement	33,738.24
Total:		139,743.52

8. As advised by the Group, various residential units with a total gross floor area of approximately 85,459.54 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB1,021,444,380. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,193,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB10,000 to RMB13,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

APPENDIX III

PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Dongyang Kunyu is legally and validly in possession of the land use rights of the property. Dongyang Kunyu has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Dongyang Kunyu has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Dongyang Kunyu has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
23.	Sunkwan Majestic Seasons located at the junction of Linping Avenue and Shunda Road Yuhang District Hangzhou City Zhejiang Province The PRC (杭州•上坤山語四季)	Sunkwan Majestic Seasons (the “Project”) is located at the junction of Linping Avenue and Shunda Road. The locality is a newly developed residential area where public facilities such as municipal facilities and amenities are still under development. The Project occupies a parcel of land with a site area of approximately 55,202.00 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in January 2021. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 178,140.17 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB625,200,000, of which approximately RMB552,900,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 26 February 2088 for residential use and 26 February 2058 for commercial use.	As at the valuation date, the property was under construction.	2,310,700,000 (100.00% interest attributable to the Group: RMB2,310,700,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3301102017A21068 dated 11 December 2017 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 55,202.00 sq.m. were contracted to be granted to Hangzhou Kunxin Property Co., Ltd. (杭州坤鑫置業有限公司, “Hangzhou Kunxin”, a wholly-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB1,548,420,000.

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2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 201801537003, permission towards the land planning of the Project with a site area of approximately 55,202.00 sq.m. has been granted to Hangzhou Kunxin.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2018) Yu Hang Qu Bu Dong Chan Quan Di No. 0021562, the land use rights of the Project with a site area of approximately 55,202.00 sq.m. have been granted to Hangzhou Kunxin expiring on 26 February 2088 for residential use and 26 February 2058 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 201801537018 in favour of Hangzhou Kunxin, the Project with a gross floor area of approximately 178,140.17 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 330110201804040101 and 330110201807130201 in favour of Hangzhou Kunxin, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 178,140.17 sq.m.
6. Pursuant to 10 Pre-sale Permits — Yu Shou Xu Zi (2019) Nos. 00019, 00205, 00419, 00654, 00757, 01184, 01233, 00117, 00248 and Yu Shou Xu Zi (2020) No. 00030 in favour of Hangzhou Kunxin, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 117,408.22 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)
Group II — held under development by the Group	Residential	119,942.14
	Ancillary	1,486.43
	Basement	56,711.60
Total:		178,140.17

8. As advised by the Group, various residential units with a total gross floor area of approximately 117,408.22 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB2,412,279,093. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,412,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB19,000 to RMB23,700 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Hangzhou Kunxin is legally and validly in possession of the land use rights of the property. Hangzhou Kunxin has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Hangzhou Kunxin has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Hangzhou Kunxin has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
24.	Joy Mountain located at the junction of Xingguo Road and Yinghe Road Yuhang District Hangzhou City Zhejiang Province The PRC (杭州•悦見山)	Joy Mountain (the “Project”) is located at the junction of Xingguo Road and Yinghe Road. The locality is a newly developed residential area where public facilities such as municipal facilities and amenities are still under development. The Project occupies a parcel of land with a site area of approximately 77,631.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in September 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 231,562.38 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB1,063,700,000, of which approximately RMB994,700,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 7 December 2087 for residential use and 7 December 2057 for commercial use.	As at the valuation date, the property was under construction.	2,719,500,000 (12.01% interest attributable to the Group: RMB326,480,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3301102017A21056 dated 17 October 2017 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 77,631.00 sq.m. were contracted to be granted to Hangzhou Yuerong Property Development Co., Ltd. (杭州越榮房地產開發有限公司, “Hangzhou Yuerong”, a 12.01%-owned associate of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB1,321,710,000.

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2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 201701537019, permission towards the land planning of the Project with a site area of approximately 77,631.00 sq.m. has been granted to Hangzhou Yuerong.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2017) Yu Hang Qu Bu Dong Chan Quan Di No. 0196670, the land use rights of the Project with a site area of approximately 77,631.00 sq.m. have been granted to Hangzhou Yuerong expiring on 7 December 2087 for residential use and 7 December 2057 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 201801537014 in favour of Hangzhou Yuerong, the Project with a gross floor area of approximately 231,562.38 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 330110201803190301 in favour of Hangzhou Yuerong, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 231,562.38 sq.m.
6. Pursuant to 6 Pre-sale Permits — Yu Shou Xu Zi (2018) Nos. 00550, 00670, 00795, 00891 and Yu Shou Xu Zi (2019) Nos. 00465 and 00596 in favour of Hangzhou Yuerong, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 152,466.12 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)
Group II — held under development by the Group	Residential	148,838.46
	Commercial	4,160.24
	Ancillary	4,844.16
	Basement	73,719.52
Total:		231,562.38

8. As advised by the Group, various residential and commercial units with a gross floor area of approximately 152,194.62 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB2,822,763,634. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,828,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential and commercial units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB19,000 to RMB23,600 per sq.m. for residential units and RMB21,500 to RMB31,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Hangzhou Yuerong is legally and validly in possession of the land use rights of the property. Hangzhou Yuerong has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Hangzhou Yuerong has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Hangzhou Yuerong has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
25.	West Lakeside Seasons located at the western side of Guoding Road Ouhai District Wenzhou City Zhejiang Province The PRC (溫州•西湖四季)	West Lakeside Seasons (the “Project”) is located at the western side of Guoding Road. The locality is a residential and commercial area with mature public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 19,967.20 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in May 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 85,977.30 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB359,100,000, of which approximately RMB97,200,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 27 May 2089 for residential use and 27 May 2059 for commercial use.	As at the valuation date, the property was under construction.	776,600,000 (50.00% interest attributable to the Group: RMB388,300,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3303042019A21011 dated 28 May 2019, the land use rights of the Project with a site area of approximately 19,967.20 sq.m. were contracted to be granted to Wenzhou City Hongtu Property Development Co., Ltd. (溫州市弘途房地產開發有限公司, “Wenzhou Hongtu”, a 50%-owned joint venture of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB616,110,000.
- Pursuant to a Construction Land Planning Permit — No. 3303042019B11330, permission towards the land planning of the Project with a site area of approximately 19,967.20 sq.m. has been granted to Wenzhou Hongtu.

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3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2019) Wen Zhou Shi Bu Dong Chan Quan Di No. 0112740, the land use rights of the Project with a site area of approximately 19,967.20 sq.m. have been granted to Wenzhou Hongtu expiring on 27 May 2089 for residential use and 27 May 2059 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Zhe Gui Zheng No. 2019-030400084 in favour of Wenzhou Hongtu, the Project with a gross floor area of approximately 85,015.16 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 330304201908230201 in favour of Wenzhou Hongtu, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 85,977.30 sq.m.
6. Pursuant to a Pre-sale Permit — Ou Fang Shou Xu Zi (2020) No. 007 in favour of Wenzhou Hongtu, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 24,739.38 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	43,694.79
	Resettlement housing	10,203.70
	Commercial	918.63
	Ancillary	2,053.18
	Basement	29,107.00
Total:		85,977.30

8. As advised by the Group, various residential units with a total gross floor area of approximately 9,893.22 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB240,954,274. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,186,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB28,000 to RMB35,000 per sq.m. for residential units and RMB33,000 to RMB40,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Wenzhou Hongtu is legally and validly in possession of the land use rights of the property. Wenzhou Hongtu has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Wenzhou Hongtu has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permit have been obtained, Wenzhou Hongtu has the rights to legally pre-sell such portions according to the obtained Pre-sale Permit.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Portion
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
26.	Prosperous Seasons located at the eastern side of Cuiwei Avenue Ouhai District Wenzhou City Zhejiang Province The PRC (溫州•潮啟四季)	Prosperous Seasons (the “Project”) is located at the eastern side of Cuiwei Avenue. The locality is a residential and commercial area with mature public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 25,720.88 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in February 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 100,972.79 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB487,600,000, of which approximately RMB162,500,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 27 May 2089 for residential use and 27 May 2059 for commercial use.	As at the valuation date, the property was under construction.	1,022,600,000 (50.00% interest attributable to the Group: RMB511,300,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3303042019A21010 dated 28 May 2019, the land use rights of the Project with a site area of approximately 25,720.88 sq.m. were contracted to be granted to Wenzhou City Honglin Property Development Co., Ltd. (溫州市弘麟房地產開發有限公司, “Wenzhou Honglin”, a 50%-owned joint venture of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB755,210,000.

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2. Pursuant to a Construction Land Planning Permit — No. 3303042019B11324, permission towards the land planning of the Project with a site area of approximately 25,720.88 sq.m. has been granted to Wenzhou Honglin.
3. Pursuant to a Real Estate Title Certificate (for land) — Zhe (2019) Wen Zhou Shi Bu Dong Chan Quan Di No. 0098371, the land use rights of the Project with a site area of approximately 25,720.88 sq.m. have been granted to Wenzhou Honglin expiring on 27 May 2089 for residential use and 27 May 2059 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Zhe Gui Zheng No. 2019-030400083 in favour of Wenzhou Honglin, the Project with a gross floor area of approximately 100,310.33 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 330304201908220401 in favour of Wenzhou Honglin, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 100,972.79 sq.m.
6. Pursuant to a Pre-sale Permit — Ouhai Shou Xu Zi (2019) Di No. 014 in favour of Wenzhou Honglin, the Group is entitled to sell portions of the Project (representing a gross floor area of approximately 32,770.61 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	56,116.22
	Resettlement housing	10,402.44
	Commercial	365.59
	Ancillary	1,938.54
	Basement	32,150.00
	Total:	100,972.79

8. As advised by the Group, various residential units with a total gross floor area of approximately 11,088.19 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB275,532,622. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,549,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB26,000 to RMB35,000 per sq.m. for residential units and RMB33,000 to RM40,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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PROPERTY VALUATION REPORT

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Wenzhou Honglin is legally and validly in possession of the land use rights of the property. Wenzhou Honglin has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Wenzhou Honglin has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permits have been obtained, Wenzhou Honglin has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Portion
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
27.	Portions of Sunkwan Riverside Seasons located at No. 288 Zhongshan East Road Mudu Town Wuzhong District Suzhou City Jiangsu Province The PRC (蘇州•上坤水岸四季)	Sunkwan Riverside Seasons (the “Project”) is located at No. 288 Zhongshan East Road. The locality is a well-developed commercial and residential area with mature public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 27,655.20 sq.m., which had been developed into a residential development. The project was completed in July 2019 and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date.	As at the valuation date, the property was vacant for sale.	12,000,000 (70% interest attributable to the Group: RMB8,400,000)
		As at the valuation date, the property comprised the unsold units with a total gross floor area of approximately 551.32 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.		
		The land use rights of the property have been granted for a term expiring on 18 October 2086 for residential use.		

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205012016CR0112 dated 19 November 2016 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 27,655.20 sq.m. (inclusive of the land use rights of the property) were contracted to be granted to Suzhou Kunxiang Property Co., Ltd. (蘇州坤翔置業有限公司, “Suzhou Kunxiang”, a 70%-owned subsidiary of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB539,121,031.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320506201600165, permission towards the land planning of the Project with a site area of approximately 27,655.20 sq.m. (inclusive of the property) has been granted to Suzhou Kunxiang.
- Pursuant to a Real Estate Title Certificate (for land) — Su (2017) Su Zhou Shi Bu Dong Chan Quan Di No. 6001552, the land use rights of the Project with a site area of approximately 27,655.20 sq.m. (inclusive of the land use rights of the property) have been granted to Suzhou Kunxiang expiring on 18 October 2086 for residential use.
- Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 320506201700147 in favour of Suzhou Kunxiang, the Project with a gross floor area of approximately 60,486.52 sq.m. (inclusive of the property) has been approved for construction.

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5. Pursuant to 3 Construction Work Commencement Permits — Nos. 320506201705220401, 320506201706160501 and 320506201706160601 in favour of Suzhou Kunxiang, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 60,411.17 sq.m. (inclusive of the property).
6. Pursuant to 2 Pre-sale Permits — Su Fang Yu Wu Zhong Nos. (2017) 233 and (2018) 107 in favour of Suzhou Kunxiang, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 43,123.70 sq.m.) to purchasers.
7. Pursuant to 5 Construction Work Completion and Inspection Certificates in favour of Suzhou Kunxiang, the construction of the Project with a total gross floor area of approximately 60,476.60 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area
		(sq.m.)
Group I — held for sale by the Group	Residential	551.32
	Total:	551.32

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2020. The unit price of these comparable properties ranges from RMB18,000 to RMB29,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Suzhou Kunxiang is legally and validly in possession of the land use rights of the property. Suzhou Kunxiang has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
28.	Jade Seasons located at No. 2 Fenghuangfeng Road Gaoxin District Suzhou City Jiangsu Province The PRC (蘇州•翡翠四季)	Jade Seasons (the “Project”) is located at No. 2 Fenghuangfeng Road. The locality is a well-developed residential and commercial area with mature public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 34,682.80 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 68,299.63 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB325,400,000, of which approximately RMB316,800,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 13 February 2088 for residential use.	As at the valuation date, the property was under construction.	1,206,500,000 (24.50% interest attributable to the Group: RMB295,590,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205012018CR0003 dated 4 January 2018 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 34,682.80 sq.m. were contracted to be granted to Suzhou Gaoxin Guangyao Wankun Property Co., Ltd. (蘇州高新光耀萬坤置地有限公司, “Suzhou Wankun”, a 24.5%-owned associate of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB685,421,690.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320505201800009, permission towards the land planning of the Project with a site area of approximately 34,682.80 sq.m. has been granted to Suzhou Wankun.

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3. Pursuant to a Real Estate Title Certificate (for land) — Su (2018) Su Zhou Shi Bu Dong Chan Quan Di No. 5085640, the land use rights of the Project with a site area of approximately 34,682.80 sq.m. have been granted to Suzhou Wankun expiring on 13 February 2088 for residential use.
4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 320505201800046 and 320505201800057 in favour of Suzhou Wankun, the Project with a total gross floor area of approximately 68,299.63 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 320505201808170201 in favour of Suzhou Wankun, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 68,299.63 sq.m.
6. Pursuant to 2 Pre-sale Permits — Su Fang Yu Gao Xin Nos. (2018) 176 and 261 in favour of Suzhou Wankun, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 45,662.87 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	45,898.20
	Ancillary	2,638.14
	Basement	19,763.29
Total:		68,299.63

8. As advised by the Group, various residential units with a total gross floor area of approximately 45,662.87 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB1,225,345,233. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,225,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB25,000 to RMB28,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Suzhou Wankun is legally and validly in possession of the land use rights of the property. Suzhou Wankun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Suzhou Wankun has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Suzhou Wankun has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
29.	Portions of Mindcloud Mountainview located at No. 2 Keguang Road Gaoxin District Suzhou City Jiangsu Province The PRC (蘇州•雲棲麓)	Mindcloud Mountainview (the “Project”) is located at No. 2 Keguang Road. The locality is a well-developed residential and commercial area with mature public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 34,647.60 sq.m., which had been developed into a residential development. The Project was completed in July 2020 and its unsold portion (the “unsold units”) was vacant for sale as at the valuation date.	As at the valuation date, the property was vacant for sale.	1,862,100,000 (20.00% interest attributable to the Group: RMB372,420,000)
		As at the valuation date, the property comprised the unsold units of the Project with a total gross floor area of approximately 74,715.09 sq.m. The classification, usage and gross floor area details of the property were set out in note 8.		
		The land use rights of the property have been granted for a term expiring on 2 April 2088 for residential use.		

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205012018CR0025 dated 26 February 2018 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 34,647.60 sq.m. (inclusive of the land use rights of the property) were contracted to be granted to Suzhou Hedu Property Co., Ltd. (蘇州和都置地有限公司, “Suzhou Hedu”, a 20%-owned joint venture of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB931,477,823.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320505201800011, permission towards the land planning of the Project with a site area of approximately 34,647.60 sq.m. (inclusive of the property) has been granted to Suzhou Hedu.
- Pursuant to a Real Estate Title Certificate (for land) — Su (2018) Su Zhou Shi Bu Dong Chan Quan Di No. 5086861, the land use rights of the Project with a site area of approximately 34,647.60 sq.m. (inclusive of the land use rights of the property) have been granted to Suzhou Hedu expiring on 2 April 2088 for residential use.
- Pursuant to 3 Construction Work Planning Permits — Jian Zi Di Nos. 320505201800043, 320505201800045 and 320505201800070 in favour of Suzhou Hedu, the Project with a total gross floor area of approximately 99,696.05 sq.m. (inclusive of the property) has been approved for construction.

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5. Pursuant to 3 Construction Work Commencement Permits — Nos. 320505201804280101, 320505201805090201 and 320505201807100401 in favour of Suzhou Heduo, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 99,696.05 sq.m. (inclusive of the property).
6. Pursuant to 2 Pre-sale Permits — Su Fang Yu Gao Xin Nos. (2018) 094 and (2018) 173 in favour of Suzhou Heduo, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 74,715.09 sq.m.) to purchasers.
7. Pursuant to 4 Construction Work Completion and Inspection Certificates in favour of Suzhou Heduo, the construction of the Project with a total gross floor area of approximately 99,516.94 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)
Group I — held for sale by the Group	Residential	74,715.09
Total:		74,715.09

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB21,000 to RMB28,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Suzhou Heduo is legally and validly in possession of the land use rights of the property. Suzhou Heduo has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Yes
g.	Construction Work Completion and Inspection Certificate/Table/Report	Yes

12. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
30.	Portions of Changshu Hyde Mansion located at the western side of Renmin Road and the northern side of Fuqian Road Haiyu Town Suzhou City Jiangsu Province The PRC (蘇州•常熟海德名築)	Changshu Hyde Mansion (the “Project”) is located at the western side of Renmin Road and the northern side of Fuqian Road. The locality is a residential area with basic public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 21,817.00 sq.m., which had been developed into a residential development. The Project was completed in March 2020 and its unsold portions (the “unsold units”) was vacant for sale as at the valuation date. As at the valuation date, the property comprised the unsold units with a total gross floor area of approximately 4,995.26 sq.m. The classification, usage and gross floor area details of the property were set out in note 8. The land use rights of the property have been granted for a term expiring on 26 September 2087 for residential use.	As at the valuation date, the property was vacant for sale.	75,800,000 (33.00% interest attributable to the Group: RMB25,010,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205812017CR0067 dated 25 August 2017 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 21,817.00 sq.m. (inclusive of the land use rights of the property) were contracted to be granted to Changshu Bixin Real Estate Development Co., Ltd. (常熟必信房地產開發有限公司, “Changshu Bixin”, a 33%-owned joint venture of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB206,830,000.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320581201700082, permission towards the land planning of the Project with a site area of approximately 21,817.00 sq.m. (inclusive of the property) has been granted to Changshu Bixin.
- Pursuant to a Real Estate Title Certificate (for land) — Su (2017) Chang Shu Shi Bu Dong Chan Quan Di No. 0055206, the land use rights of the Project with a site area of approximately 21,817.00 sq.m. (inclusive of the land use rights of the property) have been granted to Changshu Bixin expiring on 26 September 2087 for residential use.
- Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 320581201800009 in favour of Changshu Bixin, the Project with a gross floor area of approximately 43,917.22 sq.m. (inclusive of the property) has been approved for construction.
- Pursuant to a Construction Work Commencement Permit — No. 320581201801240101 in favour of Changshu Bixin, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 43,893.22 sq.m. (inclusive of the property).

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6. Pursuant to 2 Pre-sale Permits — Chang Fang Yu Shou Zi (2018) Di Nos. 012 and 054 in favour of Changshu Bixin, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 30,885.57 sq.m.) to purchasers.
7. Pursuant to 2 Construction Work Completion and Inspection Certificates in favour of Changshu Bixin, the construction of the Project with a total gross floor area of approximately 44,006.25 sq.m. (inclusive of the property) has been completed and passed the inspection acceptance.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)
Group I — held for sale by the Group	Residential	4,995.26
Total:		4,995.26

9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB13,000 to RMB16,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. Pursuant to a Mortgage Contract, the land use rights and the buildings of the property are subject to a mortgage in favour of a third party; and
- b. Changshu Bixin is legally and validly in possession of the land use rights of the property. Changshu Bixin has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property.

11. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	Yes

13. For the purpose of this report, the property is classified into the group as “Group I — held for sale by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
31.	Mindcloud Peakview located at the eastern side of Leshan Road, the southern side of Honghe Road, the western side of Renhe Road and the northern side of Yunhe Road Xinqiao Town Changzhou City Jiangsu Province The PRC (常州•雲峯)	Mindcloud Peakview (the “Project”) is located at the eastern side of Leshan Road, the southern side of Honghe Road, the western side of Renhe Road and the northern side of Yunhe Road. The locality of is a newly developed residential area with basic public infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 53,062.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in August 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 198,486.00 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB814,000,000, of which approximately RMB302,700,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 2 June 2089 for residential use and 2 June 2059 for commercial use.	As at the valuation date, the property was under construction.	1,731,300,000 (40.00% interest attributable to the Group: RMB692,520,000)

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Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3204112019CR0020 dated 25 April 2019 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 53,062.00 sq.m. were contracted to be granted to Changzhou Qiansheng Real Estate Development Co., Ltd. (常州乾晟房地產開發有限公司, “Changzhou Qiansheng”, a 40%-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB1,267,500,000.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320400201940030, permission towards the land planning of the Project with a site area of approximately 53,062.00 sq.m. has been granted to Changzhou Qiansheng.
- Pursuant to a Real Estate Title Certificate (for land) — Su (2019) Chang Zhou Shi Bu Dong Chan Quan Di No. 0042172, the land use rights of the Project with a site area of approximately 53,062.00 sq.m. have been granted to Changzhou Qiansheng expiring on 2 June 2089 for residential use and 2 June 2059 for commercial use.
- Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 320400201940083 in favour of Changzhou Qiansheng, the Project with a gross floor area of approximately 199,871.00 sq.m. has been approved for construction.
- Pursuant to 4 Construction Work Commencement Permits — No. 320411201909050101, 320411201909060201, 320411201908300101 and 320411201907220101 in favour of Changzhou Qiansheng, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 198,486.00 sq.m.
- Pursuant to 2 Pre-sale Permits — Chang Xin (2019) Fang Yu Shou Zheng Di No. 069 and Chang Xin (2020) Fang Yu Shou Zheng Di No. 024 in favour of Changzhou Qiansheng, the Group is entitled to sell portions of the Project (representing a gross floor area of approximately 83,366.6 sq.m.) to purchasers.
- According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	131,326.00
	Commercial	15,409.00
	Ancillary	6,012.00
	Basement	45,739.00
Total:		198,486.00

- As advised by the Group, various residential units with a total gross floor area of approximately 58,585.59 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB1,060,018,376. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
- The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,632,000,000.

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PROPERTY VALUATION REPORT

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB17,500 to RMB18,500 per sq.m. for residential units and RMB20,000 to RMB25,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
- b. Changzhou Qiansheng is legally and validly in possession of the land use rights of the property. Changzhou Qiansheng has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
- c. Changzhou Qiansheng has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
- d. For the portions of the property of which the Pre-sale Permits have been obtained, Changzhou Qiansheng has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Portion
g.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
32.	Sunkwan Riverside Seasons located at the southern side of Zhimin Avenue and the eastern side of Chuxi South Road Xinzhou District Shangrao City Jiangxi Province The PRC (上饒•上坤濱江四季)	Sunkwan Riverside Seasons (the “Project”) is located at the southern side of Zhimin Avenue and the eastern side of Chuxi South Road. The locality is a newly developed area where public facilities such as municipal facilities and life support are still under development. The Project occupies a parcel of land with a site area of approximately 85,527.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 271,083.87 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB715,300,000, of which approximately RMB427,700,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 17 September 2088 for residential use and 17 September 2058 for commercial use.	As at the valuation date, the property was under construction.	1,278,700,000 (100.00% interest attributable to the Group: RMB1,278,700,000)

APPENDIX III

PROPERTY VALUATION REPORT

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 36040220180004 dated 21 June 2018, the land use rights of the Project with a site area of approximately 85,527.00 sq.m. were contracted to be granted to Shangrao Yiju Property Co., Ltd. (上饒市宜居置業有限公司, “Shangrao Yiju”, a wholly-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB685,000,000.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 2018060, permission towards the land planning of the Project with a site area of approximately 85,527.00 sq.m. has been granted to Shangrao Yiju.
- Pursuant to a Real Estate Title Certificate (for land) — Gan (2018) Shang Rao Shi Bu Dong Chan Quan Di No. 0021001, the land use rights of the Project with a site area of approximately 85,527.00 sq.m. have been granted to Shangrao Yiju expiring on 17 September 2088 for residential use and 17 September 2058 for commercial use.
- Pursuant to 20 Construction Work Planning Permits — Jian Zi Di Nos. 2018256 to 2018260, 2019124 to 2019133, 2019159, 2019160 and 2020146 to 2020148 in favour of Shangrao Yiju, the Project with a total gross floor area of approximately 271,083.87 sq.m. has been approved for construction.
- Pursuant to 2 Construction Work Commencement Permits — Nos. 361102201811150101 and 361102201907120201 in favour of Shangrao Yiju, permission by the relevant local authority was given to commence the construction of the portions of the Project with a total gross floor area of approximately 200,958.72 sq.m.
- Pursuant to 5 Pre-sale Permits — (2018 Rao) Fang Yu Shou Zheng No. 083, (2019 Rao) Fang Yu Shou Zheng Nos. 017, 026 and 066, and (2020 Rao) Fang Yu Shou Zheng No. 012 in favour of Shangrao Yiju, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 109,001.62 sq.m.) to purchasers.
- According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	198,715.81
	Retail	1,845.63
	Ancillary	4,677.01
	Basement	65,845.42
Total:		271,083.87

- As advised by the Group, various residential and retail units with a total gross floor area of approximately 104,317.22 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB764,515,885. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
- The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,702,000,000.

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10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB7,000 to RMB10,000 per sq.m. for residential units and RMB15,000 to RMB20,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
- b. Shangrao Yiju is legally and validly in possession of the land use rights of the property. Shangrao Yiju has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
- c. Shangrao Yiju has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
- d. For the portions of the property of which the Pre-sale Permits have been obtained, Shangrao Yiju has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Portion
f.	Pre-sale Permit	Portion
g.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
33.	Sunkwan Begonia Seasons located at the southern side of Fengtai Road and the eastern side of Fenghuai Road Luyang District Hefei City Anhui Province The PRC (合肥•上坤海棠四季)	Sunkwan Begonia Seasons (the “Project”) is located at the southern side of Fengtai Road and the eastern side of Fenghuai Road. The locality of the project is a residential and commercial area with mature and sophisticated infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 18,737.67 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 74,866.81 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB288,700,000, of which approximately RMB275,000,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 16 October 2087 for residential use and 16 October 2057 for commercial use.	As at the valuation date, the property was under construction.	1,183,500,000 (100.00% interest attributable to the Group: RMB1,183,500,000)

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Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — He Di Lu Yang Jing Ying (2017) No. 114 dated 21 September 2017 and 2 Supplementary Contracts, the land use rights of the Project with a site area of approximately 18,737.67 sq.m. were contracted to be granted to Hefei Jiakun Property Co., Ltd. (合肥佳坤置業有限公司, “Hefei Jiakun”, a wholly-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB729,400,000.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 340103201700016, permission towards the land planning of the Project with a site area of approximately 18,737.67 sq.m. has been granted to Hefei Jiakun.
- Pursuant to a Real Estate Title Certificate (for land) — Wan (2017) He Bu Dong Chan Quan Di No. 0271687, the land use rights of the Project with a site area of approximately 18,737.67 sq.m. have been granted to Hefei Jiakun expiring on 16 October 2087 for residential use and 16 October 2057 for commercial use.
- Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 340103201810004 in favour of Hefei Jiakun, the Project with a gross floor area of approximately 75,008.65 sq.m. has been approved for construction.
- Pursuant to a Construction Work Commencement Permit — No. 3401031712260101-SX-001 in favour of Hefei Jiakun, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 74,866.81 sq.m.
- Pursuant to 6 Pre-sale Permits — He Fang Yu Shou Zheng Di Nos. 20181026, 20180591, 20180592, 20181255, 20190249 and 20191303 in favour of Hefei Jiakun, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 47,727.41 sq.m.) to purchasers.
- According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	39,312.20	
	Retail	3,478.70	
	Office	13,017.00	
	Ancillary	811.22	
	Basement (inclusive of car parking spaces)	18,247.69	384
	Total:	74,866.81	384

- As advised by the Group, various residential, retail units and car parking spaces with a total gross floor area of approximately 43,310.51 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB906,884,168. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
- The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,208,000,000.

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PROPERTY VALUATION REPORT

10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units, office units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB20,000 to RMB22,000 per sq.m. for residential units, RMB28,000 to RM35,000 per sq.m. for commercial units on the first floor, RMB17,000 to RM21,000 per sq.m. for office units and RMB100,000 to RMB160,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. Hefei Jiakun is legally and validly in possession of the land use rights of the property. Hefei Jiakun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
- b. Hefei Jiakun has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
- c. For the portions of the property of which the Pre-sale Permits have been obtained, Hefei Jiakun has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Portion
g.	Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
34.	Sunkwan Northlake Seasons located at the southern side of Jingling Huaqiao Avenue Beihu District Tianmen City Hubei Province The PRC (天門•上坤北湖四季)	Sunkwan Northlake Seasons (the “Project”) is located at the southern side of Jingling Huaqiao Avenue. The locality is a mature residential area where public facilities such as international high school, college and cultural center are well developed. The Project occupies 2 parcels of land with a total site area of approximately 73,362.50 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2020. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 102,682.46 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB307,900,000, of which approximately RMB214,200,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 10 July 2088 for residential use and 10 July 2058 for commercial use.	As at the valuation date, the property was under construction.	481,100,000 (100.00% interest attributable to the Group: RMB481,100,000)

Notes:

- Pursuant to 2 State-owned Land Use Rights Grant Contracts — E TM-2018 — No. 047 and No. 048 dated 6 June 2018, the land use rights of the Project with a total site area of approximately 73,362.50 sq.m. were contracted to be granted to Tianmen Sunkwan Property Co., Ltd. (天門上坤置業有限公司, “Tianmen Sunkwan”, a wholly-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB214,500,000.

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2. Pursuant to a Construction Land Planning Permit — Di Zi Di 2018 Tian Gui (Yong Di) No. 4194, permission towards the land planning of the Project with a site area of approximately 73,362.50 sq.m. has been granted to Tianmen Sunkwan.
3. Pursuant to 2 Real Estate Certificates (for land) — E (2018) Tianmen Shi Bu Dong Chan Quan Di Nos. 0011479 and 0011480, the land use rights of the Project with a total site area of approximately 73,362.50 sq.m. have been granted to Tianmen Sunkwan expiring on 10 July 2088 for residential use and 10 July 2058 for commercial use.
4. Pursuant to 4 Construction Work Planning Permits — Jian Zi Di (2019) Tian Gui (Gong Cheng) Nos. 5757 to 5760 in favour of Tianmen Sunkwan, the Project with a total gross floor area of approximately 102,682.46 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 4290061808160117-SX-006 in favour of Tianmen Sunkwan, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 103,219.47 sq.m.
6. Pursuant to 9 Pre-sale Permits — E Tianmen Shang Yu Zi (2018) No. 0067 and No. 0073 and E Tianmen Shang Yu Zi (2019) Nos. 0012, 0028, 0037, 0064, 0075, 0083 and E Tianmen Shang Yu Zi (2020) No. 0014 in favour of Tianmen Sunkwan, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 87,863.18 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	86,873.08
	Retail	941.37
	Ancillary	1,145.62
	Basement	13,722.39
Total:		102,682.46

8. As advised by the Group, various residential units with a total gross floor area of approximately 65,147.48 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB402,146,151. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB609,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and commercial units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB4,800 to RMB6,500 per sq.m. for high-rise residential units, RMB10,000 to RMB15,000 per sq.m. for villa residential units, RMB10,000 to RMB12,000 per sq.m. for commercial units on the first floor. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as

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accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights and the buildings under construction of the property are subject to the mortgages in favour of a third party;
 - b. Tianmen Sunkwan is legally and validly in possession of the land use rights of the property. Tianmen Sunkwan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Tianmen Sunkwan has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permits have been obtained, Tianmen Sunkwan has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Yes
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
35.	Sky Platinum located at the junction of Guide Road and Huashang Avenue Suiyang District Shangqiu City Henan Province The PRC (商丘•天铂)	Sky Platinum (the “Project”) is located at the junction of Guide Road and Huashang Avenue. The locality is a mature residential area where public facilities such as hospital and educational institutes are well developed. The Project occupies a parcel of land with a site area of approximately 73,405.63 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in January 2021. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 238,824.70 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB710,000,000, of which approximately RMB341,000,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 27 February 2088 for residential use.	As at the valuation date, the property was under construction.	831,300,000 (50.00% interest attributable to the Group: RMB415,650,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Shang (Shi) Chu Rang No. 2018-13 dated 28 February 2018, the land use rights of the Project with a site area of approximately 73,405.63 sq.m. were contracted to be granted to Henan Chenbo Property Co., Ltd. (河南宸博置業有限公司, “Henan Chenbo”, a 50%-owned joint venture of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB340,330,000.
- Pursuant to a Construction Land Planning Permit — Di Zi Di (2018) Shi No. 30, permission towards the land planning of the Project with a site area of approximately 73,374.277 sq.m. has been granted to Henan Chenbo.

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3. Pursuant to a Real Estate Title Certificate (for land) — Yu (2018) Shang Qiu Bu Dong Chan Quan No. 0008478, the land use rights of the Project with a site area of approximately 73,405.63 sq.m have been granted to Henan Chenbo expiring on 27 February 2088 for residential use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di (2018) Shi No. 39 in favour of Henan Chenbo, portions of the Project with a gross floor area of approximately 182,978.98 sq.m. has been approved for construction.
5. Pursuant to 3 Construction Work Commencement Permits — Shang Shi Jian Nos. 2018910160101, 201812110201 and 201812110101 in favour of Henan Chenbo, permission by the relevant local authority was given to commence the construction of the portions of the Project with a total gross floor area of approximately 182,978.98 sq.m.
6. Pursuant to 9 Pre-sale Permits — (2018) Shang Fang Yu (Xiao) Shou Zheng Di Nos. 192 and 203 and (2019) Shang Fang Yu (Xiao) Shou Zheng Di Nos. 066, 156,162, 228 and 244, and (2020) Shang Fang Yu (Xiao) Shou Zheng Di Nos. 082 and 104 in favour of Henan Chenbo, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 161,784.92 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group II — held under development by the Group	Residential	178,420.33
	Ancillary	4,558.65
	Basement	55,845.72
Total:		238,824.70

8. As advised by the Group, various residential units with a total gross floor area of approximately 98,167.98 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB704,083,639. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,392,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB7,000 to RMB13,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Henan Chenbo is legally and validly in possession of the land use rights of the property. Henan Chenbo has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Henan Chenbo has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permits have been obtained, Henan Chenbo has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.

12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Portion
g. Construction Work Completion and Inspection Certificate/Table/Report	No

13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
36.	Portions of Champagne Garden located at No. 18 Qiaoxin Road Qiaotou Town Dongguan City Guangdong Province The PRC (東莞•香檳花園)	Champagne Garden (the “Project”) is located at No. 18 Qiaoxin Road. The locality of the project is an industry area. The Project occupies a parcel of land with a site area of approximately 27,391.46 sq.m., which is being developed into a residential and commercial development. Portions of the Project were completed between May and July 2020, and the unsold portion of that (the “unsold units”) was vacant for sale as at the valuation date. The remaining portion of the Project was under construction (the “CIP”) as at the valuation date and is scheduled to be completed in September 2020. As advised by the Group, upon completion, the CIP will have a total planned gross floor area of approximately 21,627.82 sq.m. As at the valuation date, the property comprised the unsold units and CIP of the Project. The classification, usage and gross floor area details of the property were set out in note 8. As advised by the Group, the construction cost of the CIP of the property is estimated to be approximately RMB65,200,000, of which approximately RMB55,700,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 9 January 2088 for residential use and 9 January 2058 for commercial use.	As at the valuation date, the unsold portion of the property was vacant and the remaining portion of the property was under construction.	962,800,000 (25.00% interest attributable to the Group: RMB240,700,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Dong Guo Tu Chu Rang (Shi Chang) He (2017) Di No. 076 dated 26 December 2017, the land use rights of the Project with a site area of approximately 27,391.46 sq.m. (inclusive of the land use rights of the property) were contracted to be granted to Dongguan City Herui Enterprise Co., Ltd. (東莞市和瑞實業投資有限公司, “Dongguan Herui”, a 25%-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB331,000,000.
- Pursuant to a Construction Land Planning Permit-Di Zi Di No. 2018-24-1001, permission towards the land planning of the Project with a site area of approximately 27,391.46 sq.m. (inclusive of the property) has been granted to Dongguan Herui.

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3. Pursuant to a Real Estate Title Certificate (for land) — Yue (2018) Dong Guan Bu Dong Chan Quan Di No. 0044757, the land use rights of the Project with a site area of approximately 27,391.46 sq.m. (inclusive of the land use rights of the property) have been granted to Dongguan Herui expiring on 9 January 2088 for residential use and 9 January 2058 for commercial use.
4. Pursuant to 11 Construction Work Planning Permits — Jian Zi Di Nos. 2018-24-1002 to 2018-24-1012 in favour of Dongguan Herui, the Project with a total gross floor area of approximately 86,517.76 sq.m. (inclusive of the property) has been approved for construction.
5. Pursuant to 11 Construction Work Commencement Permits — Nos. 441900201806070101 to 10 subsequent permits to No. 441900201806071101 in favour of Dongguan Herui, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 86,517.76 sq.m. (inclusive of the property).
6. Pursuant to 8 Pre-sale Permits — Dong Guan Shang Fang Yu Zheng Zi Di Nos. 201800457, 651 and 703, and Dong Guan Shang Fang Yu Zheng Zi Di Nos. 201900040, 452, 121, 149 and 150 in favour of Dongguan Herui, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 64,451.25 sq.m.) to purchasers.
7. Pursuant to 6 Construction Work Completion and Inspection Certificates in favour of Dongguan Herui, the construction of portions of the property with a total gross floor area of approximately 64,889.89 sq.m. (inclusive of the property) have been completed and passed the inspection acceptance.
8. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group I — held for sale by the Group	Residential	63,596.40	
	Sub-total:	63,596.40	
Group II — held under development by the Group	Retail	854.86	
	Ancillary	3,199.13	
	Basement (inclusive of car parking spaces)	17,573.83	494
	Sub-total:	21,627.82	494
	Total:	85,224.22	494

9. As advised by the Group, various residential units with a total gross floor area of approximately 63,596.40 sq.m. in the Group I and various retail units with a gross floor area of approximately 854.85 sq.m. in the Group II of the property have been pre-sold to various third parties at a consideration of RMB890,139,528. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB104,000,000.
11. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB12,000 to RMB14,000 per sq.m. for residential units, RMB20,000 to RMB26,000 per sq.m. for commercial units on the first floor and RMB140,000 to RMB185,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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12. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
- a. Dongguan Herui is legally and validly in possession of the land use rights of the property. Dongguan Herui has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Dongguan Herui has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Dongguan Herui has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
13. A summary of major certificates/approvals is shown as follows:
- | | |
|---|---------|
| a. State-owned Land Use Rights Grant Contract | Yes |
| b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land) | Yes |
| c. Construction Land Planning Permit | Yes |
| d. Construction Work Planning Permit | Yes |
| e. Construction Work Commencement Permit | Yes |
| f. Pre-sale Permit | Yes |
| g. Construction Work Completion and Inspection Certificate/Table/Report | Portion |
14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date
	(RMB)
Group I — held for sale by the Group	871,100,000
Group II — held under development by the Group	91,700,000
Total:	962,800,000

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
37.	Sunkwan Lakeview Seasons located at the western side of Jiansha Road Nanhai District Foshan City Guangdong Province The PRC (佛山•上坤翰湖四季)	Sunkwan Lakeview Seasons (the “Project”) is located at the western side of Jiansha Road and near the east entrance of Han Lin Hu Agriculture Park. The locality is a city — industry integration area for intelligent security industry. The Project occupies a parcel of land with a site area of approximately 24,808.19 sq.m., which will be developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in July 2021. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 67,383.66 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB218,200,000, of which approximately RMB149,900,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 22 August 2059 for commercial use and 22 August 2089 for residential use.	As at the valuation date, the property was under construction.	616,100,000 (100.00% interest attributable to the Group: RMB616,100,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 440605-2019-000124 dated 23 August 2019, the land use rights of the Project with a site area of approximately 24,808.19 sq.m. were contracted to be granted to Foshan Kaifeng Business Consulting Co., Ltd. (佛山凱楓商務諮詢有限公司, “Foshan Kaifeng”, a wholly-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB351,690,000.

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2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 440605201900297, permission towards the land planning of the Project with a site area of approximately 24,808.19 sq.m. has been granted to Foshan Kaifeng.
3. Pursuant to a Real Estate Title Certificate (for land) — Yue (2019) Fo Nan Bu Dong Chan Quan Di No. 0196569, the land use rights of the Project with a site area of approximately 24,808.19 sq.m. have been granted to Foshan Kaifeng expiring on 22 August 2059 for commercial use and 22 August 2089 for residential use.
4. Pursuant to 7 Construction Work Planning Permits — Jian Zi Di Nos. 440605201901293 to 440605201901299 in favour of Foshan Kaifeng, the Project with a total gross floor area of approximately 67,383.66 sq.m. has been approved for construction.
5. Pursuant to 7 Construction Work Commencement Permits — Nos. 440605201912200101-00 to 440605201912200701-00 in favour of Foshan Kaifeng, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 67,383.66 sq.m.
6. Pursuant to 3 Pre-sale Permits — Nan Fang Yu Zi Di Nos. 2020015802, 2020020402 and 2020017802, in favour of Foshan Kaifeng, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 34,513.70 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	49,030.76	
	Commercial	2,474.35	
	Ancillary	1,321.59	
	Basement (inclusive of car parking spaces)	14,556.96	395
	Total:	67,383.66	395

8. As advised by the Group, various residential units with a total gross floor area of approximately 10,761.90 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB149,619,982. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
9. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB755,000,000.
10. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB12,000 to RMB16,000 per sq.m. for residential units, RMB13,000 to RMB16,000 per sq.m. for commercial units on the first floor and RMB100,000 to RMB110,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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11. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Foshan Kaifeng is legally and validly in possession of the land use rights of the property. Foshan Kaifeng has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property;
 - b. Foshan Kaifeng has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - c. For the portions of the property of which the Pre-sale Permits have been obtained, Foshan Kaifeng has the rights to legally pre-sell such portions according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Portion
g. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
38.	Cixi Gracious Mansion located at the western side of Shangfang Road Hushan Town Ningbo City Zhejiang Province The PRC (寧波•慈溪慈瀾府)	Cixi Gracious Mansion (the “Project”) is located at the western side of Shangfang Road. The locality is a residential area with mature infrastructural facilities. The Project occupies a parcel of land with a site area of approximately 28,002.00 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2021. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 61,922.84 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. As advised by the Group, the construction cost of the property is estimated to be approximately RMB275,200,000, of which approximately RMB113,900,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 12 June 2089 for residential use, 12 June 2059 for commercial use and 12 June 2069 for cultural and sports uses.	As at the valuation date, the property was under construction.	497,400,000 (25.00% interest attributable to the Group: RMB124,350,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3302822019A21052 dated 14 May 2019 and State-owned Land Use Rights Secondary Market Transfer Contract and a Supplementary Contract, the land use rights of the Project with a site area of approximately 28,002.00 sq.m. were contracted to be granted to Ningbo Yueyuan Property Co., Ltd. (寧波悅遠置業有限公司, “Ningbo Yueyuan”, a 25%-owned subsidiary of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for cultural and sports uses commencing from the land delivery date. The land premium was RMB215,790,000.
- Pursuant to a Real Estate Title Certificate (for land) — Zhe (2019) Ci Xi Shi Bu Dong Chan Quan Di No. 0061104, the land use rights of the Project with a site area of approximately 28,002.00 sq.m. have been granted to Ningbo Yueyuan expiring on 12 June 2089 for residential use, 12 June 2059 for commercial use and 12 June 2069 for cultural and sports uses.
- Pursuant to a Construction Work Planning Permit — (2019) Zhe Gui Jian Zi Di No. 0220153 in favour of Ningbo Yueyuan, the Project with a gross floor area of approximately 61,922.84 sq.m. has been approved for construction.

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4. Pursuant to a Construction Work Commencement Permit — No. 330282201909250201 in favour of Ningbo Yueyuan, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 61,922.84 sq.m.
5. Pursuant to a Pre-sale Permit — Ci Fang Yu Xu Zi (2020) Di. No. 016 in favour of Ningbo Yueyuan, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 21,580.49 sq.m.) to purchasers.
6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	35,046.80	
	Retail	1,960.51	
	Ancillary	8,181.96	
	Basement (inclusive of car parking spaces)	16,733.57	316
	Total:	61,922.84	316

7. As advised by the Group, various residential and retail units with a total gross floor area of approximately 4,265.11 sq.m. of the property have been pre-sold to various third parties at a consideration of RMB77,866,701. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
8. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB781,000,000.
9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB20,000 to RMB22,000 per sq.m. for residential units, RMB22,000 to RMB29,000 per sq.m. for commercial units on the first floor and RMB120,000 to RMB160,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;

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- b. Ningbo Yueyuan is legally and validly in possession of the land use rights of the property. Ningbo Yueyuan has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Ningbo Yueyuan has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permit have been obtained, Ningbo Yueyuan has the rights to legally pre-sell such portions according to the obtained Pre-sale Permit.
 11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	No
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	Portion
g.	Construction Work Completion and Inspection Certificate/Table/Report	No
 12. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
39.	Sunkwan Sumptuous Skyview located at the junction of Wuhan Avenue and Shahu Avenue Wuchang District Wuhan City Hubei Province The PRC (武漢•上坤博譯雲峯)	Sunkwan Sumptuous Skyview (the “Project”) is located at the junction of Wuhan Avenue and Shahu Avenue. The locality is a mature residential, commercial and office area where public facilities such as Shahu Park, primary school and municipal facilities are well developed. The Project occupies a parcel of land with a site area of approximately 7,759.52 sq.m., which is being developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in November 2021. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 35,588.26 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. As advised by the Group, the construction cost of the property is estimated to be approximately RMB313,700,000, of which approximately RMB58,100,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 27 September 2088 for residential use.	As at the valuation date, the property was under construction.	536,200,000 (70.00% interest attributable to the Group: RMB375,340,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — WH-2018-B089 dated 28 September 2018, the land use rights of the Project with a site area of approximately 7,759.52 sq.m. were contracted to be granted to Wuhan Jialun Chengtai Business Commercial Co., Ltd. (武漢市嘉倫誠泰商貿有限公司, “Wuhan Jialun”, a 70%-owned joint venture of the Company) for the term of 70 years for residential use commencing from the land delivery date. The land premium was RMB338,000,000.
- Pursuant to a Construction Land Planning Permit — Wu Gui Di (2018) No. 124, permission towards the land planning of the Project with a site area of approximately 7,759.52 sq.m. has been granted to Wuhan Jialun.
- Pursuant to a Real Estate Title Certificate (for land) — E (2018) Wu Han Shi Bu Dong Chan Quan Di No. 0003476, the land use rights of the Project with a site area of approximately 7,759.52 sq.m. have been granted to Wuhan Jialun expiring on 27 September 2088 for residential use.

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4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Wu Gui (Chang) Jian (2019) No. 002 in favour of Wuhan Jialun, the Project with a gross floor area of approximately 35,588.26 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 4201062018101600214BJ4001 in favour of Wuhan Jialun, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 35,588.26 sq.m.
6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	23,043.47	
	Ancillary	914.81	
	Basement (inclusive of car parking spaces)	11,629.98	196
	Total:	35,588.26	196

7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB895,000,000.
8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and car parking spaces within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB33,000 to RMB42,000 per sq.m. for residential units, and RMB200,000 to RMB230,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Wuhan Jialun is legally and validly in possession of the land use rights of the property. Wuhan Jialun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property; and
 - c. Wuhan Jialun has obtained related requisite approvals for the construction work of the property from the relevant government authorities.

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10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	No
g.	Construction Work Completion and Inspection Certificate/Table/Report	No

11. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
40.	Sunkwan Mindcloud Timeview located at the junction of Qimen North Street and Qingyuan Road Xiangcheng District Suzhou City Jiangsu Province The PRC (蘇州•雲棲時光)	Sunkwan Mindcloud Timeview (the “Project”) is located at the junction of Qimen North Street and Qingyuan Road. The locality is a residential area with basic public facilities and transportations. The Project occupies a parcel of land with a site area of approximately 50,141.00 sq.m., which will be developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 164,557.91 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 7. As advised by the Group, the construction cost of the property is estimated to be approximately RMB727,800,000, of which approximately RMB82,400,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 17 October 2089 for residential use.	As at the valuation date, the property was under construction.	1,939,200,000 (70.00% interest attributable to the Group: RMB1,357,440,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205012019CR0151 dated 25 October 2019 and a Supplementary Contract, the land use rights of a parcel of land with a site area of approximately 50,141.00 sq.m. were contracted to be granted to Suzhou Kunyu Property Co., Ltd. (蘇州坤聿置業有限公司, “Suzhou Kunyu”, a 70%-owned joint venture of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB1,742,787,650.

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2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320507202000025, permission towards the land planning of the Project with a site area of approximately 50,141.00 sq.m. has been granted to Suzhou Kunyu.
3. Pursuant to a Real Estate Title Certificate (for land) — Su (2020) Su Zhou Shi Bu Dong Chan Quan Di No. 7003638, the land use rights of the Project with a site area of approximately 50,141.00 sq.m. have been granted to Suzhou Kunyu expiring on 17 October 2089 for residential use.
4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 320507202000009 and 320507202000010 in favour of Suzhou Kunyu, the Project with a gross floor area of approximately 164,557.91 sq.m. has been approved for construction.
5. Pursuant to 4 Construction Work Commencement Permits — Nos. 320507202004140000, 320507202004140201, 320507202004290101 and 320507202005080201 in favour of Suzhou Kunyu, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 164,557.91 sq.m.
6. Pursuant to a Pre-sale Permit – Su Fang Yu Xiang Cheng (2020) No. 176 in favour of Suzhou Kunyu, the Group is entitled to sell portions of the Project (representing a total gross floor area of approximately 30,870.88 sq.m.) to purchasers.
7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)
Group II — held under development by the Group	Residential	108,540.82
	Ancillary	2,047.00
	Basement	53,970.09
Total:		164,557.91

8. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,822,000,000.
9. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB25,000 to RMB30,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

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10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Suzhou Kunyu is legally and validly in possession of the land use rights of the property. Suzhou Kunyu has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property;
 - c. Suzhou Kunyu has obtained related requisite approvals for the construction work of the property from the relevant government authorities; and
 - d. For the portions of the property of which the Pre-sale Permit have been obtained, Suzhou Kunyu has the rights to legally pre-sell such portions according to the obtained Pre-sale Permit.
11. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	Portion
g. Construction Work Completion and Inspection Certificate/Table/Report	No
12. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
41.	Mindcloud Imperial Garden located at the junction of Hefeng Gang and Linping Avenue Yuhang District Hangzhou City Zhejiang Province The PRC (杭州 • 雲棲宸園)	Mindcloud Imperial Garden (the “Project”) is located at the junction of Hefeng Gang and Linping Avenue. The locality of the project is a residential area with basic public facilities and transportations. The Project occupies a parcel of land with a site area of approximately 53,358.00 sq.m., which will be developed into a residential development with a total planned gross floor area of approximately 164,610.74 sq.m. As advised by the Group, the construction of the project had not been commenced as at the valuation date. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 5. The land use rights of the property have been granted for a term of 70 years for residential use.	As at the valuation date, the property was bare land.	No Commercial Value

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3301102020A21063 dated 2 June 2020 and a Supplementary Contract, the land use rights with a site area of approximately 53,358.00 sq.m. were contracted to be granted to Hangzhou Jingshang Real Estate Development Co., Ltd. (杭州景上房地產開發有限公司, “Hangzhou Jingshang”, a 52%-owned subsidiary of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB1,445,190,000.
- As at the valuation date, the property had not been assigned to Hangzhou Jingshang, and thus the title of the property had not been vested in Hangzhou Jingshang, the relevant land use rights certificate had not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the reference value of the property as at the valuation date would be RMB1,489,300,000 assuming all the land premiums have been paid and Real Estate Title Certificates (Land) have been obtained and they could be freely transferred.
- Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 330110202037055 dated 7 August 2020 in favour of Hangzhou Jingshang, the Project with a gross floor area of approximately 164,610.74 sq.m. has been approved for construction.
- Pursuant to a Construction Work Commencement Permit – No. 330110202008270401 dated 27 August 2020 in favour of Hangzhou Jingshang, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 164,610.74 sq.m.

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5. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)
Group IV — contracted to be acquired	Residential	116,070.76
	Ancillary	2,065.18
	Basement	46,474.80
	Total:	164,610.74

6. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential lands which were transacted in 2019 and 2020. The accommodation value of these comparable land sites ranges from RMB11,000 to RMB13,000 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

The aforesaid State-owned Land Use Right Grant Contract is legal and valid, which is protected under the PRC law.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	No
c.	Construction Land Planning Permit	No
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Pre-sale Permit	No
g.	Construction Work Completion and Inspection Certificate/Table/Report	No

9. For the purpose of this report, the property is classified into the group as “Group IV — contracted to be acquired by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
42.	Lakeview Seasons located at the junction of Pingmei Zhi Road and Pingxi Road Wujiang District Suzhou City Jiangsu Province The PRC (蘇州 • 望湖四季)	Lakeview Seasons (the “Project”) is located at the junction of Pingmei Zhi Road and Pingxi Road. The locality of the project is a residential area with basic public facilities and transportations. The Project occupies a parcel of land with a site area of approximately 51,041.92 sq.m., which will be developed into a residential development. The Project was under construction as at the valuation date and is scheduled to be completed in October 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 125,510.00 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. As advised by the Group, the construction cost of the property is estimated to be approximately RMB436,100,000, of which approximately RMB160,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 29 June 2090 for residential use.	As at the valuation date, the property was under construction.	480,000,000 (35.00% interest attributable to the Group: RMB168,000,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3205842020CR0038 dated 8 May 2020 and a Supplementary Contract, the land use rights with a site area of approximately 51,041.92 sq.m. were contracted to be granted to Suzhou Kunxin Real Estate Development Co., Ltd. (蘇州坤信房地產開發有限公司, “Suzhou Kunxin”, a 35%-owned subsidiary of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB461,214,789.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320509202001050, permission towards the planning of the aforesaid a land parcel with a site area of approximately 51,041.92 sq.m. has been granted to Suzhou Kunxin.
- Pursuant to a Real Estate Title Certificate (for land) — Su (2020) Su Zhou Shi Wu Jiang Qu Bu Dong Chan Quan Di No. 9026189, the land use rights of the Project with a site area of approximately 51,041.92 sq.m. have been granted to Suzhou Kunxin expiring on 29 June 2090 for residential use.
- Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 320509202000099 and 320509202000111 in favour of Suzhou Kunxin, the Project with a gross floor area of approximately 125,510.00 sq.m. has been approved for construction.
- Pursuant to 2 Construction Work Commencement Permits – Nos. 320509202007230501 and 320509202008210201 in favour of Suzhou Kunxin, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 125,510.00 sq.m.

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6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area <i>(sq.m.)</i>
Group II — held for under development by the Group	Residential	91,803.56
	Ancillary	1,888.17
	Basement	31,818.27
Total:		125,510.00

7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units within the same development and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB14,000 to RMB18,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between transaction date and the valuation date is considered.

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. Suzhou Kunxin is legally and validly in possession of the land use rights of the property. Suzhou Kunxin has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property; and
- b. Suzhou Kunxin has obtained related requisite approvals for the construction work of the property from the relevant government authorities.

9. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No

10. For the purpose of this report, the property is classified into the group as “Group II — held for under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
43.	Mindcloud Mansion located at the western side of North Mingsha Road Danzao Town Nanhai District Foshan City Guangdong Province The PRC (佛山 • 雲棲公館)	Mindcloud Mansion (the “Project”) is located at western side of North Mingsha Road and northern side of Jinxing Road. The locality of the project is a residential area. The Project occupies a parcel of land with a site area of approximately 10,617.30 sq.m., which will be developed into a residential and commercial development with a total planned gross floor area of approximately 35,858.91 sq.m. As advised by the Group, the construction of the Project had not been commenced as at the valuation date. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. The land use rights of the property have been granted for the terms expiring on 31 May 2060 for commercial use and 31 May 2090 for residential use.	As at the valuation date, the property was bare land.	156,100,000 (100.00% interest attributable to the Group: RMB156,100,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 440605-2020-000046 dated 1 June 2020 and a Supplementary Contract, the land use rights of the Project with a site area of approximately 10,617.30 sq.m. were contracted to be granted to Foshan Dankun Real Estate Co., Ltd. (佛山丹坤置業有限公司, “Foshan Dankun”, a wholly-owned subsidiary of the Company) for terms of 70 years for residential and car parking uses and 40 years for commercial use commencing from the land delivery date. The land premium was RMB147,790,000.
- Pursuant to a Construction Land Planning Permit – Di Zi Di No. 440605202000077, permission towards the planning of the aforesaid a land parcel with a site area of approximately 10,617.30 sq.m. has been granted to Foshan Dankun.
- Pursuant to a Real Estate Title Certificate (for land) – Yue (2020) Fo Nan Bu Dong Chan Quan Di No. 0095369, the land use rights of the Project with a site area of approximately 10,617.30 sq.m. have been granted to Foshan Dankun expiring on 31 May 2090 for residential use and 31 May 2060 for commercial use.
- Pursuant to 3 Construction Work Planning Permits – Jian Zi Di Nos. 440605202001073, 440605202001074 and 440605202001075 dated 11 August 2020 in favour of Foshan Dankun, the Project with a total gross floor area of approximately 35,858.91 sq.m. has been approved for construction.
- Pursuant to 3 Construction Work Commencement Permits – Nos. 440605202008240101-00, 440605202008240201-00 and 440605202008240301-00 dated 24 August 2020 in favour of Foshan Dankun, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 35,858.91 sq.m.

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PROPERTY VALUATION REPORT

6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group III — Held for future development by the Group	Residential	24,558.06	
	Retail	551.34	
	Ancillary	2,705.86	
	Basement (inclusive of car parking spaces)	8,043.65	275
	Total:	35,858.91	275

7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential and commercial land which were transacted in the last three years. The accommodation value of these comparable land sites ranges from RMB6,000 to RMB7,000 per sq.m. for composite residential and commercial uses. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market between transaction date and the valuation date is considered.

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

- a. Foshan Dankun is legally and validly in possession of the land use rights of the property. Foshan Dankun has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property; and
- b. Foshan Dankun has obtained related requisite approvals for the construction work of the property from the relevant government authorities.

9. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No

10. For the purpose of this report, the property is classified into the group as “Group III — held for future development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
44.	Sunkwan Jinping Mountain No. 1 located at the intersection of Changfeng Road and Longjiang Wenhua Road Shunde District Foshan City Guangdong Province The PRC (佛山 • 錦屏山壹號)	Sunkwan Jinping Mountain No. 1 (the “Project”) is located at the intersection of Changfeng Road and Longjiang Wenhua Road. The locality of the project is a residential area. The Project occupies two parcels of land with a total site area of approximately 22,109.27 sq.m., which is being developed into a residential and commercial development. The Project was under construction as at the valuation date and is scheduled to be completed in March 2022. As advised by the Group, upon completion, the Project will have a total planned gross floor area of approximately 80,336.36 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. As advised by the Group, the construction cost of the property is estimated to be approximately RMB253,500,000, of which approximately RMB108,400,000 had been incurred as at the valuation date. The land use rights of the property have been granted for terms expiring on 16 February 2090 and 24 March 2090 for residential use, 16 February 2060 and 24 March 2060 for commercial use and 16 February 2070 for urban village road use.	As at the valuation date, the property was under construction.	550,400,000 (49.00% interest attributable to the Group: RMB269,700,000)

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Notes:

- Pursuant to 2 State-owned Land Use Rights Grant Contracts — No. 440606-2020-000095 dated 24 February 2020 and No. 440606-2020-000081 dated 17 February 2020 and a State-owned Land Use Rights Transfer Agreement, the land use rights of the Project with a total site area of approximately 22,109.27 sq.m. were contracted to be granted to Foshan Hailu Property Co., Ltd. (佛山海路置業有限公司, “Foshan Hailu”, a 49%-owned associate of the Company) for terms of 70 years for residential use, 40 years for commercial use and 50 years for urban village road use commencing from the land delivery date. The land premium was RMB350,070,000.
- Pursuant to 2 Construction Land Planning Permits — Di Zi Di Nos. 440606202000031 and 440606202000032, permission towards the land planning of the Project with a total site area of approximately 22,109.27 sq.m. has been granted to Foshan Hailu.
- Pursuant to 2 Real Estate Title Certificates (for land) — Yue (2020) Fo Shun Bu Dong Chan Quan Di Nos. 0077153 and 0044363, the land use rights of the Project with a total site area of approximately 22,109.27 sq.m. have been granted to Foshan Hailu expiring on 16 February 2090 and 24 March 2090 for residential use, 16 February 2060 and 24 March 2060 for commercial use and 16 February 2070 for urban village road use.
- Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 440606202003606 and 440606202003478 in favour of Foshan Hailu, the Project with a total gross floor area of approximately 80,336.36 sq.m. has been approved for construction.
- Pursuant to 2 Construction Work Commencement Permits — Nos. 440606202006110201 and 440606202006160101 in favour of Foshan Hailu, permission by the relevant local authority was given to commence the construction of the Project with a total gross floor area of approximately 80,336.36 sq.m.
- According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area	No. of car parking space
		(sq.m.)	
Group II — held under development by the Group	Residential	57,246.66	
	Retail	800.69	
	Ancillary	6,397.00	
	Basement (inclusive of car parking spaces)	15,892.01	510
	Total:	80,336.36	510

- The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB840,000,000.
- Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units, commercial units and car parking spaces within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB12,000 to RMB15,000 per sq.m. for residential units, RMB13,000 to RMB16,000 per sq.m. for commercial units on the first floor and RMB140,000 to RMB150,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and

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layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market between transaction date and the valuation date is considered.

9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Foshan Hailu is legally and validly in possession of the land use rights of the property. Foshan Hailu has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property; and
 - b. Foshan Hailu has obtained related requisite approvals for the construction work of the property from the relevant government authorities.
10. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No
11. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
45.	Shining Seasons located at the west of the junction of Changjiang Road and Pingyuan Road Suiyang District Shangqiu City Henan Province The PRC (商丘 • 光和四季)	Shining Seasons (the “Project”) located at the west of the junction of Changjiang Road and Pingyuan Road, Suiyang District. The locality of the project is a mature residential area where public facilities such as hospital and educational institutes are well developed. The Project occupies a parcel of land with a site area of approximately 42,964.48 sq.m., which is being developed into a residential and commercial development. The project was under construction as at the valuation date and is scheduled to be completed in February 2023. As advised by the Group, upon completion, the project will have a total planned gross floor area of approximately 145,271.45 sq.m. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. As advised by the Group, the construction cost of the property is estimated to be approximately RMB344,000,000, of which approximately RMB16,200,000 had been incurred as at the valuation date. The land use rights of the property have been granted for the terms expiring on 28 July 2089 for residential use and 28 July 2059 for commercial use.	As at the valuation date, the property was under construction.	230,600,000 (63.00% interest attributable to the Group: RMB145,280,000)

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Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Shang (Shi) Chu Rang No. 2017-124 dated 23 July 2019 and a Supplementary Contract, the land use rights of the project with a site area of approximately 42,964.48 sq.m. were contracted to be granted to Shangqiu City Shangjia Property Co., Ltd. (商丘市上嘉置業有限公司, “Shangqiu Shangjia”, a 63%-owned joint venture of the Company) for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The land premium was RMB199,956,125.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di (2019) No. 68, permission towards the land planning of the project with a site area of approximately 42,964.48 sq.m. has been granted to Shangqiu Shangjia.
3. Pursuant to a Real Estate Title Certificate (for land) — Yu (2020) Shang Qiu Shi Bu Dong Chan Quan Di No. 0001770, the land use rights of the Project with a site area of approximately 42,964.48 sq.m. have been granted to Shangqiu Shangjia expiring on 28 July 2089 for residential use and 28 July 2059 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 411400202000012 in favour of Shangqiu Shangjia, the Project with a gross floor area of approximately 107,350.96 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 411403202005220101 in favour of Shangqiu Shangjia, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 107,350.96 sq.m.
6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area (sq.m.)
Group II — held under development by the Group	Residential	98,719.58
	Retail	5,324.77
	Ancillary	3,306.61
	Basement	37,920.49
Total:		145,271.45

7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB708,000,000.
8. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and accessibility of the property. The selected comparables are residential units and retail units within the same building of the subject property and other newly completed buildings located in the area close to the subject property with similar building conditions and facilities as the subject property. The unit price of these comparable properties ranges from RMB5,500 to RMB6,800 per sq.m. for high-rise residential units, RMB11,000 to RMB13,000 per sq.m. for retail units. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market between transaction date and the valuation date is considered.

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9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Pursuant to a Mortgage Contract, the land use rights of the property are subject to a mortgage in favour of a third party;
 - b. Shangqiu Shangjia is legally and validly in possession of the land use rights of the property. Shangqiu Shangjia has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property and subject to the consent from the mortgagee to transfer, lease, re-mortgage or otherwise dispose of the land use rights of the mortgaged portion of the property; and
 - c. Shangqiu Shangjia has obtained related requisite approvals for the construction work of the property from the relevant government authorities.
10. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No
11. For the purpose of this report, the property is classified into the group as “Group II — held under development by the Group in the PRC” according to the purpose for which it is held.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				<i>RMB</i>
46.	Bluesky Seasons located at the south of Fangyu Road, the east of Xueyuan Road, the north of Siyu Road, the west of Chunmiao Road Suiyang District Shangqiu City Henan Province The PRC (商丘 • 蔚來四季)	Bluesky Seasons (the “Project”) located the south of Fangyu Road, the east of Xueyuan Road, the north of Siyu Road, the west of Chunmiao Road, Suiyang District. The locality of the project is a mature residential area where public facilities such as hospital and educational institutes are well developed. The Project occupies a parcel of land with a site area of approximately 31,470.34 sq.m., which is being developed into a residential development with a total planned gross floor area of approximately 115,661.00 sq.m. As advised by the Group, the construction of the project had not been commenced as at the valuation date. As at the valuation date, the property comprised the whole project. The classification, usage and gross floor area details of the property were set out in note 6. The land use rights of the property have been granted for the term expiring on 14 April 2090 for residential use.	As at the valuation date, the property was bare land.	213,000,000 (54.00% interest attributable to the Group: RMB115,020,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — Shang (Shi) Chu Rang No. 2020-9 dated 15 April 2020, the land use rights of the project with a site area of approximately 31,470.34 sq.m. were contracted to be granted to Shangqiu City Shanghua Property Co., Ltd. (商丘市上華置業有限公司, “Shangqiu Shanghua”, a 54%-owned joint venture of the Company) for a term of 70 years for residential use commencing from the land delivery date. The land premium was RMB202,672,500.
- Pursuant to a Construction Land Planning Permit — Di Zi Di (2019) No. 411400202000013, permission towards the land planning of the project with a site area of approximately 31,470.34 sq.m. has been granted to Shangqiu Shanghua.
- Pursuant to a Real Estate Title Certificate (for land) — Yu (2020) Shang Qiu Shi Bu Dong Chan Quan Di No. 0010231, the land use rights of the Project with a site area of approximately 31,470.34 sq.m. have been granted to Shangqiu Shanghua expiring on 14 April 2090 for residential use.

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PROPERTY VALUATION REPORT

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 411400202000025 in favour of Shangqiu Shanghua, the Project with a gross floor area of approximately 88,100.95 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — Shang Shi Shen No. 202008280101 dated 28 August 2020 in favour of Shangqiu Shanghua, permission by the relevant local authority was given to commence the construction of the Project with a gross floor area of approximately 88,100.95 sq.m.
6. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Usage	(Planned) Gross Floor Area
		(sq.m.)
Group III — held for future development by the Group	Residential	86,701.00
	Ancillary	1,400.00
	Basement	27,560.00
Total:		115,661.00

7. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are residential lands which were transacted in 2020. The accommodation value of these comparable land sites ranges from RMB1,800 to RMB2,600 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market between transaction date and the valuation date is considered.

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Shangqiu Shanghua is legally and validly in possession of the land use rights of the property. Shangqiu Shanghua has the rights to occupy, use, lease, transfer or otherwise dispose of the land use rights of the property; and
 - b. Shangqiu Shanghua has obtained related requisite approvals for the construction work of the property from the relevant government authorities.
9. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land)	No
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	Yes
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No
10. For the purpose of this report, the property is classified into the group as “Group III — held for future development by the Group in the PRC” according to the purpose for which it is held.

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 August 2018 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect upon [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class

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or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

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(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and

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members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

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The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the

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exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

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An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

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All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

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(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$[REDACTED] or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$[REDACTED] or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may,

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if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of thirty years from March 6, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

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(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

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For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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(t) Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on August 21, 2018. We have established a principal place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2019. Mr. Lee Leong Yin of 40/F, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of the Constitution of Our Company and Cayman Companies Law” in Appendix IV to this document.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$20,000, divided into 20,000,000,000 ordinary Shares of US\$0.000001 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this document:

- On August 21, 2018, our Company issued and allotted (a) one Share at par value to Sertus Nominees (Cayman) Limited as the initial subscriber, which was transferred to Smoothly Holdings on the same day; (b) 1,237,612,499 Shares to Smoothly Holdings at par value; and (c) 933,637,500 Shares to Ginkgo-BVI at par value;
- On October 12, 2018, Smoothly Holdings transferred 1,125,111,352 Shares and 112,501,148 Shares to YongHeng Holdings and Broad Holdings at nominal consideration;
- On June 28, 2019, our Company issued and allotted 78,750,000 Shares to Enrich Vast in consideration for the transfer of all the issued shares of Foison Treasure from Enrich Vast to the Company; and
- On October 18, 2019, a total of 750,000,000 fully paid Shares of our Company were surrendered by its Shareholders on a pro rata basis for nil consideration. Each of YongHeng Holdings, Ginkgo-BVI, Broad Holdings and Enrich Vast surrendered 375,036,352 Shares, 311,212,500 Shares, 37,501,148 Shares and 26,250,000 Shares, respectively. The surrendered Shares were immediately canceled by our Company.

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Immediately following the completion of the [REDACTED] but without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and the options which may be granted under the [REDACTED] Share Option Scheme, the issued share capital of our Company will be US\$[REDACTED], divided into [REDACTED] Shares of US\$[0.000001] each, all fully paid or credited as fully paid and [REDACTED] Shares of US\$[0.000001] each will remain unissued.

Save as disclosed above and in this document, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of the Shareholders of Our Company Passed on [●], 2020

Pursuant to the written resolutions passed by the Shareholders on [●], 2020, amongst other things:

- (a) our Company adopted the Memorandum of Association with immediate effect and conditionally adopted the Articles of Association with effect upon [REDACTED];
- (b) conditional on (1) the Listing Committee granting the approval for the [REDACTED] of, and [REDACTED], the Shares in issue and to be issued as mentioned in this document, (2) the [REDACTED] being fixed on the [REDACTED] and (3) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the [REDACTED]:
 - (i) the [REDACTED] was approved and the Directors were authorized to issue and allot the new Shares pursuant to the [REDACTED];
 - (ii) the granting of the [REDACTED] was approved;
 - (iii) the proposed [REDACTED] was approved and the Directors were authorized to implement the [REDACTED];
 - (iv) a general unconditional mandate was granted to the Directors to issue, allot, and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of options which may be granted under the [REDACTED] Share Option Scheme, (d) the exercise of any subscription or conversion rights attaching to any warrants or

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securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (e) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total number of Shares of our Company in issue immediately following the completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the [REDACTED] Share Option Scheme) and (2) the total number of Shares of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (v) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);

- (v) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total number of Shares of not more than 10% of the total number of Shares of our Company in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the [REDACTED] Share Option Scheme), such mandate to remain in effect during the Applicable Period; and
- (vi) the general unconditional mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate number of Shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares of our Company immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the [REDACTED] Share Option Scheme).
- (d) conditional on (1) the Listing Committee granting the [REDACTED] of, and [REDACTED], the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the [REDACTED] Share Option Scheme and (2) the commencement of [REDACTED] of the Shares on the Main Board of the Stock Exchange, (i) the adoption of the [REDACTED] Share Option Scheme was approved and (ii) the Directors were authorized to approve any amendments to the

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rules of the [REDACTED] Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the [REDACTED] Share Option Scheme.

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the [REDACTED]. Please see the section headed “Our History, Reorganization and Corporate Structure” for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our principal subsidiaries (for the purpose of the Listing Rules) are referred to in the Accountants’ Report, the text of which is set out in Appendix I.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Zhaokun Industrial

On September 20, 2018, the registered capital of Zhaokun Industrial was increased from RMB60,000,000 to RMB67,550,000 by way of capital injection of RMB7,550,000 by its then shareholders Ginkgo Gofar, Sanyou Partnership and Shirui Partnership. The amount of capital injection of each shareholder was in proportion to their respective shareholding in Zhaokun Industrial.

On October 26, 2018, the registered capital of Zhaokun Industrial was increased from RMB67,550,000 to RMB70,000,000 by way of capital injection of RMB2,450,000 by Winning Concord Enterprises Limited.

Sunkwan Properties

On December 25, 2019, the registered share capital of Sunkwan Properties was increased from RMB500,000,000 to RMB1,500,000,000 by way of capital injection of RMB1,000,000,000 by Zhaokun Industrial.

On April 23, 2020, the registered capital of Sunkwan Properties was increased from RMB1,500,000,000 to RMB2,000,000,000 by way of capital injection of RMB500,000,000 by Zhaokun Industrial.

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Cixi Xingkun Property Co., Ltd.

On June 27, 2018, the registered capital of Cixi Xingkun Property Co., Ltd. (慈溪星坤置業有限公司) was increased from RMB10,000,000 to RMB400,000,000 by way of capital injection of RMB390,000,000 by Shanghai Heji.

Shanghai Heji

On September 18, 2018, the registered capital of Shanghai Heji Property Co., Ltd. was increased from RMB500,000,000 to RMB574,440,000 by way of capital injection by Sunkwan Properties.

Suzhou Kunxiang

On June 12, 2019, the registered capital of Suzhou Kunxiang was increased from RMB10,000,000 to RMB100,000,000 by way of capital injection of RMB90,000,000 by Sunkwan Xinding.

Suzhou Kuncheng

On May 17, 2019, the registered capital of Suzhou Kuncheng was increased from RMB20,000,000 to RMB30,000,000, by way of capital injection of RMB9,000,000 by Tibet Yujia Chuangye Investment Management Limited (西藏宇嘉創業投資管理有限公司) and RMB1,000,000 by Suzhou Sunkwan.

Jinhua Jingkun Property Co., Ltd.

On June 25, 2018, the registered capital of Jinhua Jingkun Property Co., Ltd. (金華璟坤置業有限公司) was increased from RMB8,000,000 to RMB500,000,000 by way of capital injection of RMB492,000,000 by Sunkwan Aiyang.

On January 14, 2020, the registered capital of Jinhua Jingkun was increased from RMB500,000,000 to RMB537,000,000 by way of capital injection of RMB37,000,000 by Hangzhou Chenkun, Quzhou Taiduo Real Estate Development Limited (衢州泰多房地產開發有限公司), Quzhou Linghang Investment Management Partnership (Limited Partnership) (衢州領航投資管理合夥企業(有限合夥)) and Duilongdeqingqu Bixiang Enterprise Management Limited (堆龍德慶區碧享企業管理有限公司).

Shangrao Yiju

On August 9, 2019, the registered capital of Shangrao Yiju was increased from RMB250,000,000 to RMB510,200,000 by way of capital injection of RMB260,200,000 by Sunkwan Properties.

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Dongguan Herui Industrial Investment Co., Ltd.

On May 10, 2018, the registered capital of Dongguan Herui Industrial Investment Co., Ltd. (東莞市和瑞實業投資有限公司) was increased from RMB20,000,000 to RMB80,000,000 by way of capital injection of RMB60,000,000 by Shenzhen Qianhui, Dongguan Gemdale Investment Development Co., Ltd. (東莞市金地投資發展有限公司) and Dongguan Country Garden Real Estate Development Limited (東莞市碧桂園房地產開發有限公司).

Tianmen Sunkwan Property Co., Ltd.

On December 28, 2018, the registered capital of Tianmen Sunkwan Property Co., Ltd. was increased from RMB10,000,000 to RMB20,000,000 by way of capital injection of RMB10,000,000 by Wuhan Houkun Property Co., Ltd. (武漢厚坤置業有限公司).

Shanghai Dongjiang

On November 28, 2019, the registered capital of Shanghai Dongjiang was increased from RMB10,000,000 to RMB333,330,000 by way of capital injection of RMB323,330,000 by Shanghai Jingfan Property Co., Ltd. (上海晶凡置業有限公司) and Qingdao Kunxin Equity Investment Partnership (Limited Partnership) (青島坤信股權投資合夥企業(有限合夥)).

Hefei Jiakun

On March 26, 2020, the registered capital of Hefei Jiakun was increased from RMB10,000,000 to RMB426,200,000 by way of capital injection of RMB416,200,000 by Hefei Kuncong Property Co., Ltd. (合肥坤聰置業有限公司).

Sheshan Country Club

On June 28, 2020, the registered capital of Sheshan Country Club was increased to RMB2,699,635,120 by way of capital injection of RMB2,409,671,608 by Shanghai Xinyao Investment Co., Ltd. (上海新鑰投資有限公司) (“**Shanghai Xinyao**”).

Shanghai Qianrong Property Co., Ltd.

On December 12, 2019, the registered capital of Shanghai Qianrong Property Co., Ltd. (上海乾嶸置業有限公司) was increased to RMB8,050,000 by way of capital injection of RMB50,000.

Shanghai Xinyao

On July 13, 2020, the registered capital of Shanghai Xinyao was increased to RMB750,000,000 by way of capital injection of RMB370,000,000 by Sunkwan Properties and RMB370,000,000 by Shanghai Songrui Real Estate Development Co., Ltd. (上海松睿房地產開發有限公司).

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

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6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders’ Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on [●], 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate number of issued Shares of our Company immediately following the completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or the options which may be granted under the [REDACTED] Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the

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relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iii) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(iv) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company’s results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company’s annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a connected person is prohibited from knowingly selling his securities to the company.

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(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, or from sums standing to the credit of the share premium account of our Company, or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company, or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme), could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or

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- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than [REDACTED]% (or a higher percentage upon completion of the exercise of the [REDACTED]) of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

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B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-Competition; and
- (c) [REDACTED].

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	囍上坤	16	Sunkwan Properties	PRC	8963762	December 28, 2011	December 27, 2021
2.	囍上坤	35	Sunkwan Properties	PRC	8963878	December 28, 2011	December 27, 2021
3.	囍上坤	36	Sunkwan Properties	PRC	8963894	January 7, 2012	January 6, 2022
4.	囍上坤	37	Sunkwan Properties	PRC	8963919	January 7, 2012	January 6, 2022
5.	囍上坤	42	Sunkwan Properties	PRC	8963933	February 21, 2012	February 20, 2022
6.	囍上坤	43	Sunkwan Properties	PRC	8963970	January 7, 2012	January 6, 2022
7.	囍上坤	16, 18, 35, 36, 37	Sunkwan Properties	Hong Kong	305098005	October 30, 2019	October 29, 2029
8.	先番城	9	Sunkwan Properties	PRC	40676295	April 14, 2020	April 13, 2030
9.	先番城	16	Sunkwan Properties	PRC	40659269	April 14, 2020	April 13, 2030
10.	先番城	35	Sunkwan Properties	PRC	40664109	April 14, 2020	April 13, 2030
11.	先番城	36	Sunkwan Properties	PRC	40676296	April 14, 2020	April 13, 2030

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No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
12.	先番城	37	Sunkwan Properties	PRC	40659270	April 14, 2020	April 13, 2030
13.	先番城	38	Sunkwan Properties	PRC	40673113	April 14, 2020	April 13, 2030
14.	先番城	41	Sunkwan Properties	PRC	40680821	April 14, 2020	April 13, 2030
15.	先番城	42	Sunkwan Properties	PRC	40660750	April 14, 2020	April 13, 2030
16.	NEW FANS CITY	9	Sunkwan Properties	PRC	40665749	April 14, 2020	April 13, 2030
17.	NEW FANS CITY	16	Sunkwan Properties	PRC	40672397	April 14, 2020	April 13, 2030
18.	NEW FANS CITY	35	Sunkwan Properties	PRC	40655681	April 14, 2020	April 13, 2030
19.	NEW FANS CITY	36	Sunkwan Properties	PRC	40668837	April 14, 2020	April 13, 2030
20.	NEW FANS CITY	37	Sunkwan Properties	PRC	40677937	April 14, 2020	April 13, 2030
21.	NEW FANS CITY	38	Sunkwan Properties	PRC	40658390	April 14, 2020	April 13, 2030
22.	NEW FANS CITY	41	Sunkwan Properties	PRC	40665751	April 14, 2020	April 13, 2030
23.	NEW FANS CITY	42	Sunkwan Properties	PRC	40680583	April 14, 2020	April 13, 2030
24.		9	Sunkwan Properties	PRC	40660650	July 7, 2020	July 6, 2030
25.		16	Sunkwan Properties	PRC	40676200	July 7, 2020	July 6, 2030
26.		35	Sunkwan Properties	PRC	40658531	July 7, 2020	July 6, 2030
27.		36	Sunkwan Properties	PRC	40665695	July 7, 2020	July 6, 2030
28.		37	Sunkwan Properties	PRC	40671942	July 7, 2020	July 6, 2030
29.		38	Sunkwan Properties	PRC	40672541	July 7, 2020	July 6, 2030
30.		41	Sunkwan Properties	PRC	40653751	July 7, 2020	July 6, 2030
31.		42	Sunkwan Properties	PRC	40660652	July 7, 2020	July 6, 2030

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As of the Latest Practicable Date, we had applied for the registration of the following trademarks:

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date
1.	SUNKWAN	16	Sunkwan Properties	PRC	44346394	March 3, 2020
2.	SUNKWAN	35	Sunkwan Properties	PRC	44331468	March 3, 2020
3.	SUNKWAN	36	Sunkwan Properties	PRC	44339897	March 3, 2020
4.	SUNKWAN	37	Sunkwan Properties	PRC	44336907	March 3, 2020
5.	SUNKWAN	42	Sunkwan Properties	PRC	44324089	March 3, 2020
6.	SUNKWAN	43	Sunkwan Properties	PRC	44342928	March 3, 2020
7.	SUNKWAN COMING FOR LIVABLE	16	Sunkwan Properties	PRC	44341272	March 3, 2020
8.	SUNKWAN COMING FOR LIVABLE	35	Sunkwan Properties	PRC	44339859	March 3, 2020
9.	SUNKWAN COMING FOR LIVABLE	36	Sunkwan Properties	PRC	44326280	March 3, 2020
10.	SUNKWAN COMING FOR LIVABLE	37	Sunkwan Properties	PRC	44324052	March 3, 2020
11.	SUNKWAN COMING FOR LIVABLE	42	Sunkwan Properties	PRC	44326767	March 3, 2020
12.	SUNKWAN COMING FOR LIVABLE	43	Sunkwan Properties	PRC	44345277	March 3, 2020

(b) Domain Name

As of the Latest Practicable Date, we had registered the following domain name:

No.	Domain name	Registrant	Registration date	Expiry date
1	<u>www.sunkwan.com.cn</u>	Sunkwan Properties	March 23, 2010	March 23, 2025

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Interest in our Company*

Name of Director	Nature of interest	Immediately following the completion of the [REDACTED]	
		Number of Shares held ⁽²⁾	Approximate percentage of shareholding interest ⁽¹⁾
Ms. Zhu	Founder of a discretionary trust ⁽³⁾	[REDACTED]	[REDACTED]
Mr. Lin	Interest in controlled corporation ⁽⁴⁾	[REDACTED]	[REDACTED]

Notes:

(1) The calculation is based on the total number of Shares in issue immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the [REDACTED] Share Option Scheme).

(2) All interests stated are long positions.

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- (3) Northern American Trust Company, LLC as the trustee of the Fulva Family Trust (through its nominee company FULVA Holding), holds the entire issued share capital of YongHeng Holdings. YongHeng Holdings holds [REDACTED] Shares. The Fulva Family Trust is a discretionary trust established by Ms. Zhu (as the settlor) and the discretionary beneficiaries of which is Ms. Zhu and her family. Accordingly, each of Ms. Zhu and Northern American Trust Company, LLC is deemed to be interested in the number of [REDACTED] Shares held by YongHeng Holdings.
- (4) Mr. Lin 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.

(b) Interests of the Substantial Shareholders

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the [REDACTED] Share Option Scheme, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

(c) Interests in Other Members of our Group

So far as our Directors have been aware, as of the Latest Practicable Date, the following persons (excluding us) were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Subsidiary</u>	<u>Name of Shareholder</u>	<u>Approximate percentage of interest</u>
Cixi Xingkun Property Co., Ltd.	Ningbo Zhongyue Property Co., Ltd.	24.5%
Cixi Xingkun Property Co., Ltd.	Ningbo Xingshengbo Investment Management Co., Ltd.	24.5%
Cixi Hengkun Property Co., Ltd.	Ningbo Jiangbei Tongmao Enterprise Management Consulting Co., Ltd.	20%
Cixi Hengkun Property Co., Ltd.	Ningbo Zhongwei Property Co., Ltd.	20%
Cixi Chonggui Real Estate Development Co., Ltd.	Ningbo Xuanheng Property Co., Ltd.	23.33%
Cixi Chonggui Real Estate Development Co., Ltd.	Cixi Xinda Construction Industrial Co., Ltd.	10%
Cixi Chonggui Real Estate Development Co., Ltd.	Zhejiang Dongrui Property Co., Ltd.	10%
Shanghai Kunhui	CIFI Group Co., Ltd.	49%

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Name of Subsidiary	Name of Shareholder	Approximate percentage of interest
Shanghai Xinyao Investment Co., Ltd.	Shanghai Songrui Real Estate Development Limited	49%
Shanghai Quankun Investment Co., Ltd.	Shanghai Songrui Real Estate Development Limited	49%
Ningbo Yueyuan Property Co., Ltd.	Ningbo Haishu Shengchuang Business Information Consulting Co., Ltd.	25%
Suzhou Kunxiang	Shanghai Xizhan Business Management Co., Ltd.	30%
Changzhou Qiansheng Real Estate Development Co., Ltd.	Changzhou Hongyang Plaza Properties Co., Ltd.	49%
Changshu Gongzhu	Changshu Country Garden Real Estate Limited	21.25%
Changshu Gongzhu	Nantong Zhongnan New World Center Development Limited	24%
Jinhua Jingkun Property Co., Ltd.	Quzhou Taiduo Real Estate Development Limited	49%
Hangzhou Hengkun Property Co., Ltd.	Hangzhou Hanfeng Import & Export Trade Co., Ltd.	49%
Dongguan Herui Industrial Investment Co., Ltd.	Poly Bay Area Investment Development Co., Ltd.	16.34%
Dongguan Herui Industrial Investment Co., Ltd.	Dongguan Gemdale Investment Development Co., Ltd.	14.33%
Dongguan Herui Industrial Investment Co., Ltd.	Dongguan Country Garden Real Estate Development Limited	16.33%
Henan Kunshan Property Co., Ltd.	Henan Wanshan Investment Management Co., Ltd.	30%
Zhengzhou Huikun Property Co., Ltd.	Zhengzhou Chengkun Business Management Co., Ltd.	10%
Dongyang Kunyu Property Co., Ltd.	Haitian Construction Group Co., Ltd.	25%

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2. Directors’ Service Contracts

Each of our executive Directors has entered into a service contract with our Company on [●], 2020, and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors are for an initial fixed term of [three] years commencing from [●], 2020. The letters of appointment with each of our non-executive Directors and independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors for the three years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020 were approximately RMB3.1 million, RMB4.3 million, RMB7.9 million and RMB3.6 million, respectively.

Our independent non-executive Directors have been appointed for a term of [three] years. The Company intends to pay a director’s fee of HK\$[360,000] per annum to each of the independent non-executive Directors, respectively. Save for the director’s fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Under the arrangements currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2020 will be approximately RMB8.3 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

Further details of the terms of the above service contracts and letters of appointment are set forth in the paragraph headed “— C. Further Information About Our Directors and Substantial Shareholders — 2. Director’s Service Contracts” in this appendix.

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4. Directors’ Competing Interests

Save as disclosed in the section headed “Relationship with Controlling Shareholders” in this document, none of our Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in “— E. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

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- (e) save in connection with [REDACTED], none of the persons listed in “— E. Other Information — 5. Qualification of Experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) save as contemplated under the [REDACTED], none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. SHARE INCENTIVE SCHEME

1. [REDACTED] Share Option Scheme

The following is a summary of the principal terms of the [REDACTED] Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders passed on [●], 2020.

(a) Purpose of the [REDACTED] Share Option Scheme

The purpose of the [REDACTED] Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The [REDACTED] Share Option Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the [REDACTED] Share Option Scheme

Any individual, being a director, employee, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner or service provider of any member of the Company or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Company is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the [REDACTED] Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

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(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the [REDACTED] Share Option Scheme and any other schemes is [REDACTED], being no more than [REDACTED] of the Shares in issue on the date the Shares commence [REDACTED] on the Stock Exchange (the “**Option Scheme Mandate Limit**”) (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]). Options which have lapsed in accordance with the terms of the rules of the [REDACTED] Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the [REDACTED] Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed [REDACTED] of the Shares in issue from time to time (the “**Option Scheme Limit**”). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed [REDACTED] of the Shares in issue as at the date of such approval. Options previously granted under the [REDACTED] Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

(d) Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the [REDACTED] Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and

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outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

(e) Performance target

The [REDACTED] Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(f) Subscription price

The amount payable for each Share to be subscribed for under an option (“**Subscription Price**”) in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

- (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share on the date of grant.

(g) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the [REDACTED] Share Option Scheme.

(h) Options granted to directors, chief executive or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

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Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. The grantee, his associates and all connected persons of our Company shall abstain from voting in favor at such general meeting.

(i) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an option must be accepted by the relevant selected participants, which must be received by the Company within ten business days from the date on which the offer letter is delivered to the grantee. Such remittance shall in no circumstances be refundable.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a [REDACTED] for [REDACTED] Shares or a multiple thereof. To the extent that the offer is not accepted within ten business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

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(j) Restriction of grant of options

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no options shall be granted to any selected participants after inside information has come to the Company’s knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company’s quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, no option may be granted.

Such period will also cover any period of delay in the publication of any results announcement.

(k) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(l) Cancellation of options

Any breaches of the rules of the [REDACTED] Share Option Scheme by a grantee may result in the options granted to such grantee being canceled by the Company. Any options granted but not exercised may be canceled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the [REDACTED] Share Option Scheme (excluding the canceled options) and in compliance with the terms of the [REDACTED] Share Option Scheme.

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(m) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the “**Option Period**”);
- (ii) the expiry of any of the periods for exercising the option as referred to in paragraphs (p), (q) and (r) below;
- (iii) the date on which the grantee commits a breach of the rules of the [REDACTED] Share Option Scheme; and
- (iv) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs (p), (q) and (r) below, the date the grantee ceases to be a selected participant (as determined by a Board resolution) for any other reason.

(n) Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

(o) Effects of alterations in the capital structure of the company

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares comprised in each option so far as unexercised; and/or
- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the option,

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or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial advisor (as the case may be) shall be borne by our Company.

(p) Rights on ceasing employment

If a grantee ceases to be an employee of the Company due to termination of his or her employment with the Company or by reason of voluntarily wind-up the Company, the option (to the extent not already exercised) may be exercised within two months of such cessation or within the Option Period, whichever is the shorter; If the option is not exercised within the time mentioned above, the option shall immediately lapse.

(q) Retirement, death or permanent physical or mental disability of an selected participant

If a grantee ceases to be selected participant by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with the Company by reason of his/her permanent physical or mental disablement, or (iii) retirement of the grantee, the option (to the extent not already exercised) may be exercised within six months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, the option shall immediately lapse.

(r) Rights on dismissal

If a grantee, being an employee whose employment is terminated by the Group or its affiliate (as applicable) by reason of the employer terminating the contract of employment in way of leaving the position on his/her own and resigning from his/her job without the Company's consent, or the grantee having been convicted of any criminal offense involving his integrity or honesty, the option shall immediately lapse.

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(s) Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within ten business days (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall immediately lapse.

If a compromise or arrangement between the Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with the date ten business days thereafter or the date on which such compromise or arrangement is sanctioned by the court, whichever is the shorter, exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the [REDACTED] Share Option Scheme. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall immediately lapse.

(t) Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than five business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall immediately lapse.

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(u) Ranking of shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

(v) Duration

The [REDACTED] Share Option Scheme shall be valid and effective for the period of ten years commencing on the [REDACTED] (after which, no further options shall be offered or granted under the [REDACTED] Share Option Scheme), but in all other respects the provisions of the [REDACTED] Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the [REDACTED] Share Option Scheme.

(w) Alteration of the [REDACTED] Share Option Scheme

The Board may subject to the rules of the [REDACTED] Share Option Scheme amend any of the provisions of the [REDACTED] Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the [REDACTED] Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the [REDACTED] Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the [REDACTED] Share Option Scheme in relation to any alteration of the terms of the [REDACTED] Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the [REDACTED] Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the [REDACTED] Share Option Scheme. The options and the

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[REDACTED] Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alternation to the terms of the [REDACTED] Share Option Scheme must be approved by Shareholders in general meeting.

(x) Termination

The Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the [REDACTED] Share Option Scheme prior to the expiry of the [REDACTED] Share Option Scheme and in such event no further options will be offered or granted but the provisions of the [REDACTED] Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the [REDACTED] Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the [REDACTED] Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the [REDACTED] Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the [REDACTED] Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under the [REDACTED] Share Option Scheme shall be disclosed in the circular to the Shareholders seeking approval of the new scheme established after the termination of the [REDACTED] Share Option Scheme.

2. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Board on [●], 2020. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purpose of the RSU Scheme

The purpose of the RSU Scheme is to incentivize executives for their contribution to the Group, to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

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(b) RSU

A restricted share unit under the RSU Scheme (the “**RSU**”) gives a participant in the RSU Scheme (the “**RSU Participant**”) a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the restricted share units, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share.

(c) Participants in the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme are existing or past employees, directors (whether executive or non-executive, but excluding independent non-executive directors), consultants or officers of the Company or any of its subsidiaries (“**RSU Eligible Persons**”). The basis of eligibility of any selected person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as our Board may deem appropriate.

(d) Term of the RSU Scheme

The RSU Scheme shall be valid and effective for a period of ten years, commencing on the date of the first grant of the RSUs, or until the RSU Scheme is terminated pursuant to the RSU Scheme, whichever is earlier (the “**RSU Scheme Period**”).

(e) Making an offer

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (“**RSU Selected Person**”) by a letter, in such form as our Board may determine (“**RSU Grant Letter**”). The RSU Grant Letter shall specify (i) the RSU Selected Person’s name, (ii) the manner of acceptance of the RSUs, (iii) the number of RSUs granted and the number of underlying Shares represented by the RSUs or the percentage of the issued share capital of the Company represented by such RSUs, (iv) the vesting criteria, conditions and vesting schedule (if any), (v) the exercise price of the RSUs (where applicable); and (vi) such other terms and conditions as our Board shall determine and are not inconsistent with the RSU Scheme. The RSU Grant Letter shall serve as evidence of the grant of the RSUs and no further certificate shall be issued to the RSU Selected Person.

(f) Acceptance of an offer

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (“**RSU Grant Date**”). Upon acceptance, the RSU Selected Person becomes a RSU Participant in the RSU Scheme.

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(g) Restrictions on grants

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- (i) the securities laws or regulations require that a document or other [REDACTED] document be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- (ii) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or
- (iii) where such grant of RSUs would result in breach of the limits of the RSU Scheme (as set out in paragraph (h) below).

(h) Maximum number of RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the Trustee (as defined below) for the purpose of the RSU Scheme from time to time, but must not exceed [100,000,000] Shares (representing [5.0]% of the Company's existing share capital as at the date of the adoption of the RSU Scheme). As of the date of this document, the total number of Shares held by the Trustee is [REDACTED] Shares. Immediately following the completion of the [REDACTED], the total number of Shares held by the Trustees will be [REDACTED] Shares, representing [REDACTED]% of the total issued share capital of our Company.

(i) Rights attached to RSUs

A RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their vesting. Further, a RSU Participant does not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs prior to their vesting. For the avoidance of doubt, a RSU Participant is entitled to dividends, in respect of the Shares underlying the RSUs upon vesting of relevant RSUs.

(j) Rights attached to Shares

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or on the date of exercise of the RSUs or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to

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participate in all dividends or other distributions paid or made on or after the date of transfer or on the date of exercise of the RSUs or, if that date falls on a day when the register of members of the Company closed, the first day of the reopening of the register of members.

(k) Assignment of RSUs

Unless otherwise approved by our Board, the RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Trustee (as defined below) on trust for the RSU Participants, the RSUs or any interest or benefits therein, unless otherwise approved by our Board.

(l) Vesting of RSUs

Our Board may determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board shall send a vesting notice (“**Vesting Notice**”) to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(m) Appointment of trustee

Our Company may appoint an independent professional trustee (the “**Trustee**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme and to hold Shares underlying the RSUs as applicable. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder of our Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the Trustee by whatever means as our Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All of the Shares underlying the RSUs granted and to be granted under the RSU Scheme were transferred, allotted and issued to the Trustee, which as of the Latest Practicable Date, holds [REDACTED] Shares underlying the RSUs granted under the RSU Scheme, for the benefit of RSU Eligible Persons pursuant to the RSU Scheme.

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(n) Exercise of RSUs

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the Trustee and copied to our Company. Any exercise of RSUs must be in respect of a [REDACTED] or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one [REDACTED]). Upon receipt of an exercise notice, our Board may decide at its absolute discretion to:

- (i) direct and procure the Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the Trustee as fully paid up Shares or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder of our Company, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs; or
- (ii) pay, or direct and procure the Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction or withholding of any tax, levies, stamp duty and other charges applicable to the entitlement of the RSU Participant and the sale of any Shares to fund such payment and in relation thereto.

RSU Participants shall be responsible for conducting all necessary filings, registration or other administrative proceedings as required by applicable laws, rules or regulations, including but not limited to foreign exchange registration, for their exercise of RSUs.

(o) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced, unless as otherwise determined by our Board.

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(p) Rights on voluntary winding-up

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), the treatment of all outstanding RSUs shall be determined by our Board. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Company's Shareholders such sum as they would have received in respect of the RSUs.

(q) Lapse of RSUs

- (i) Any unvested RSUs will automatically lapse immediately where:
 - (a) the RSU Participant's employment or service terminates for any reason except (i) the employment or service is terminated by reason of death, retirement or disability, (ii) where the employment is terminated involuntarily without cause, (iii) where our Company employing the RSU Participant ceases to be one of the Subsidiaries, or (iv) any other incident occurs as our Board may at its discretion specify; or
 - (b) the RSU Participant is involved in businesses that are competing with or similar to our Group during his employment period without prior approval from our Company; or
 - (c) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any unvested RSUs or any interests or benefits pursuant to the RSUs; or
 - (d) the RSU Participant violates relevant rules under his/her respective local labor laws, or breaches the employment agreement or non-disclosure agreement with our Group.
- (ii) A RSU Participant's award will lapse on a proportional basis based on the proportion that (i) the time between the RSU Grant Date and the occurrence of the following relevant event bears to (ii) the entire vesting period set out in the RSU Participant's RSU Grant Letter if:
 - (a) the RSU Participant's employment or service is terminated because of the RSU Participant's death, retirement or disability;
 - (b) the RSU Participant's employment or service is terminated involuntarily without cause;

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(c) our Company with which the RSU Participant is employed ceases to be one of the Subsidiaries; or

(d) any other incident occurs as our Board may at its discretion specify,

provided that the performance criteria set out in the RSU Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

(iii) If at any time, a RSU Participant:

(a) ceases to be an employee as a result of termination of his employment with our Group for Cause. For the purpose of this rule, “Cause” means the Participant is in breach of his contract of employment with or any other obligation to our Group;

(b) fails, during the course of his/her employment, to devote the whole of his/her time and attention to the business of our Group or to use his/her best endeavors to develop the business and interests of our Group;

(c) is concerned during the course of his/her employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group; and/or

(d) is in breach of his/her contract of employment with or any other obligation to our Group,

then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares, unless as otherwise determined by our Board.

(iv) Prior to the completion of the [REDACTED], if a RSU Participant ceases to be an employee as a result of termination of his/her employment with our Group, regardless of the reason for the termination, all vested and unvested RSUs shall lapse automatically and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

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(r) Cancellation of RSUs

Our Board may at its discretion cancel any RSUs that has not vested or lapsed, provided that:

- (i) our Company or its Subsidiaries pay to the RSU Participant an amount equal to the fair value of the RSUs at the date of the cancellation as determined by our Board, after consultation with the auditors or an independent financial adviser appointed by our Board;
- (ii) our Company or its relevant Subsidiary provides to the RSU Participant a replacement award (or a grant of option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or
- (iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.

(s) Reorganization of capital structure

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may, but is not obliged to, make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(t) Amendment of the RSU Scheme

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants. Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be approved by Shareholders of the Company in general meeting, except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. The determination of our Board as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

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(u) Termination of the RSU Scheme

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the Trustee and all RSU Participants of such termination and of how any property held by the Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

Upon (i) the expiry of the RSU Scheme Period; or (ii) the RSU Scheme is terminated before the expiry of the RSU Scheme Period; or (iii) any other time as agreed by our Board, whichever is earlier, any Shares underlying the lapsed or outstanding RSUs held on trust by the RSU Nominee shall be returned to Broad Holdings (being the person that contributed the underlying Shares under the RSUs) upon the Trustee receiving further instructions from Broad Holdings. Broad Holdings shall bear the costs incurred as a result of such return of Shares.

(v) Administration of the RSU Scheme

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more employees or independent third party contractors (including the Trustee) or designate any Director to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board’s determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it.

If a Director is a RSU Participant he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board’s administration of the RSU Scheme.

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(w) Outstanding RSUs granted

As of the Latest Practicable Date, no RSU has been granted. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Trustee and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each fiscal year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

E. OTHER INFORMATION

1. Estate duty and Deed of Indemnity

Our Controlling Shareholders (the “**Indemnifiers**”) [have entered] into the Deed of Indemnity with and in favor of the Company (for itself and as trustee for its subsidiaries) (being the contract referred to in the paragraph headed “— B. Further Information About our Business — 1. Summary of Material Contracts” in this Appendix) to provide indemnities in connection with, among other things, any liability for estate duty under the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of the Company on or before the [REDACTED], and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be made against any member of the Company in respect of, among other things, any income, profits or gains, interest, salaries, estate, gift, property earned, accrued or received on or before the [REDACTED], save:

- (a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial information of the Group as set out in Appendix I (the “**Accounts**”);
- (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of the Group after the [REDACTED]; and
- (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the [REDACTED].

In addition, the Indemnifiers have also 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 Accounts) suffered by Changshu Gongzhu in proportion to the effective equity interests the Group has in it after the [REDACTED] in respect of and to the extent arising from or relating to the sales and marketing dispute as disclosed in “Business — Legal Proceedings and Material Claims — Sales and Marketing Dispute of Suzhou • Changshu Phoenix Garden.

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2. Litigation

As of the Latest Practicable Date, save as disclosed in “Business — Legal Proceedings and Material Claims”, no member of the Group had been engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the [REDACTED] of, and [REDACTED], the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including the additional Shares which may be issued pursuant to the exercise of the [REDACTED] or the options which may be granted pursuant to the [REDACTED] Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed “Underwriting — Sole Sponsor’s Independence” for details regarding the independence of the Sole Sponsor.

The Sole Sponsor is entitled to a fee of US\$1 million for acting as our sponsor in connection with the [REDACTED].

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since April 30, 2020 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
ABCI Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

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Name	Qualification
Commerce & Finance Law Offices	Legal advisers to the Company as to PRC law
Conyers Dill & Pearman	Legal advisers to the Company as to Cayman Islands law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
E-House (China) Enterprise Holdings Limited	Industry Consultant

6. Consents of Experts

Each of the experts as referred to in “— E. Other Information — 5. Qualification of Experts” above in this document has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately RMB20,000 and were payable by us.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

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10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Taxation of Holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Potential investors in the [REDACTED] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

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12. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) no commission has been paid or payable (except commission to [REDACTED]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived;
- (b) Save as disclosed in this document, none of the persons named in the paragraph headed “— E. Other Information — 6. Consent of Experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) The branch register of members of the Company will be maintained in Hong Kong by its [REDACTED], [REDACTED] Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED];

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- (d) Our Directors confirm that:
 - (i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and
 - (ii) our Company has no outstanding convertible debt securities or debentures;
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) The English version of this document shall prevail over the Chinese version.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the [REDACTED], [REDACTED] and [REDACTED];
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix V to this document; and
- (c) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix V to this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Simpson Thacher & Bartlett, 35/F, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Group for the years ended December 31, 2017, 2018 and 2019 and the four months ended April 30, 2020;
- (c) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
- (d) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this document;
- (e) the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this Document;
- (f) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC legal advisers, in respect of certain aspects of the Group and the property interests of the Group;
- (g) the letter of advice prepared by Conyers Dill & Pearman, our Cayman legal advisers, summarizing certain aspects of Cayman Companies Law referred to in Appendix IV to this document;

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- (h) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix V to this document;
- (i) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 6. Consents of Experts” in Appendix V to this document;
- (j) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts” in Appendix V to this document;
- (k) the rules of the [REDACTED] Share Option Scheme;
- (l) the rules of the RSU Scheme;
- (m) the Cayman Companies Law; and
- (n) the Industry Report issued by E-House, our industry consultant.